IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)

In re:	*	
COUNCIL OF UNIT OWNERS OF THE 100 HARBORVIEW DRIVE CONDOMINIUM	*	Case No: 16-13049-JS (Chapter 11)
Debtor	*	
	*	

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DISCLOSURE STATEMENT FOR DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: December 21, 2016

Respectfully submitted,

/s/ Paul Sweeney

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TABLE OF CONTENTS

TERMS OF CONSTRUCTION

Capitalized terms used and not otherwise defined in this Disclosure Statement shall have the meaning set forth in the First Amended Plan of Reorganization Pursuant to Chapter 11 of the United States Bankruptcy Code (the "Plan") of Council of Unit Owners of the 100 Harborview Drive Condominium, as debtor and debtor in possession (the "Debtor"), a copy of which is **Exhibit 1** hereto and is incorporated herein by reference. In the event a capitalized term is not defined therein, then it shall have the meaning given in the Bankruptcy Code or the Bankruptcy Rules. In the event a capitalized term is not defined in the Plan, the Bankruptcy Code, or the Bankruptcy Rules, then it shall have the meaning such term has in ordinary usage, and if one or more meaning for such term exists in ordinary usage, then it shall have the meaning that is most consistent with the purposes of this Disclosure Statement, the Plan, and the Bankruptcy Code. The terms of this Disclosure Statement shall not be construed against any Person but shall be given a reasonable construction, consistent with the purposes hereof and of the Plan and the Bankruptcy Code.

I. INTRODUCTION

A. Introduction and Summary

The Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on March 9, 2016 (the "Petition Date"). Since the Petition Date, the Debtor has continued to operate its business as a debtor in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

The Bankruptcy Code requires that the party proposing a Chapter 11 plan of reorganization prepare and file with the Bankruptcy Court a document called a "disclosure statement." 11 U.S.C. § 1125. Under the Bankruptcy Code, the Debtor has the exclusive right to propose a plan of reorganization for the first 120 days after the Petition Date, which period may be extended by the Bankruptcy Court. In this case, the Bankruptcy Court extended the exclusivity period for filing a plan of reorganization through October 5, 2016. On October 4, 2016, the Debtor filed a Second Motion for Order Extending Exclusive Periods to File Plan of Reorganization and Obtain Acceptances thereto by 30 Days [Dkt. No. 179], seeking to extend the exclusive filing period and the acceptance period through and including November 4, 2016 and January 4, 2017, respectively. Creditors will be asked to vote to approve the plan and confirmation of such plan will be subject to Bankruptcy Court approval.

The Debtor prepared this Disclosure Statement in connection with solicitation of votes for acceptance of the Plan. This Disclosure Statement is intended to provide adequate information of a kind, and in sufficient detail, to enable the Debtor's Creditors to make an informed judgment about the Plan, including whether to accept or reject the Plan.

As described more fully herein, the Debtor asserts that the Plan is in the best interests of all Creditors and the Estate. The Debtor urges the Holders of Impaired Claims entitled to vote to accept the Plan and to evidence such acceptance by properly voting and timely returning their Ballot.

The Disclosure Statement provides the following categories of information:

Section	Summary of Contents
I.	Introduction
II.	Background information regarding the Debtor's business
III.	A summary of events leading to the Debtor's Bankruptcy Case
IV.	A description of the Debtor's Bankruptcy Case
V.	A description of the implementation of the Plan
VI.	The treatment of Administrative Expense Claims, Priority Claims and Priority Tax Claims
VII.	Classification of Claims against the Debtor
VIII.	The treatment of the Classified Claims against Debtor
IX.	Voting procedures and requirements
X.	Outline of, among other things, how Distributions contemplated under the Plan will be made, how Disputed Claims will be resolved, assumption and rejection of Executory Contracts and unexpired leases, the effect of confirmation of the Plan, and administrative matters
XI.	Discussion of risks and other considerations Creditors should be aware of prior to voting
XII.	Outline of the procedure for confirming the Plan and discussion of the liquidation analysis of the Debtor
XIII.	Discussion of alternatives to confirmation and consummation of the proposed Plan
XIV.	Overview of certain federal income and tax consequences of the Plan
XV.	Debtor's recommendation to accept the Plan and conclusion

To the extent that the information provided in this Disclosure Statement and the Plan (including any attached exhibits and Plan Supplements) are in conflict, the terms of the Plan (including any attached exhibits and Plan Supplements) will control.

Creditors should refer only to this Disclosure Statement and the Plan to determine whether to vote to accept or reject the Plan.

The Debtor asserts that approval of the Plan is indisputably in the best interests of the Debtor's Creditors.

Creditors may request additional copies of this Disclosure Statement from the Debtor's counsel at the following address:

Paul Sweeney, Esquire
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Pursuant to the Bankruptcy Code, only Creditors who actually vote on the Plan will be counted for purposes of determining whether the required number of acceptances have been obtained. Failure to deliver a properly completed Ballot by the Voting Deadline will result in an abstention; consequently, the vote will neither be counted as an acceptance nor rejection of the Plan.

B. Disclaimer

NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS, SUPPLEMENTS TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME HEREAFTER. ALL CREDITORS SHOULD READ CAREFULLY AND CONSIDER FULLY THE "RISK FACTORS" SECTION OF THIS DISCLOSURE STATEMENT BEFORE VOTING FOR OR AGAINST THE PLAN. TO THE EXTENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS, OR ANY FUTURE ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION, ESTOPPEL, OR WAIVER.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE DEBTOR'S BANKRUPTCY CASE AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE PLAN AND RELATED SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR IN ITS VARIOUS FILINGS IN THIS CHAPTER 11 CASE AND FROM OTHER PARTIES' FILINGS, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. ANY VALUE GIVEN AS TO ASSETS OF THE DEBTOR IS BASED UPON AN ESTIMATION OF SUCH VALUE. ALTHOUGH THE DEBTOR HAS UNDERTAKEN REASONABLE AND DILIGENT EFFORTS TO PRESENT ACCURATE AND COMPLETE INFORMATION, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE FINANCIAL INFORMATION, IS COMPLETELY ACCURATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED BY THE DEBTOR AND NOT BY ITS COUNSEL, AND IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST THE DEBTOR. YOU ARE URGED TO CONSULT YOUR OWN COUNSEL AND FINANCIAL TAX ADVISORS ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS.

The Order approving this Disclosure Statement and attachments set forth the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan. For those who are entitled to vote, a Ballot is also enclosed. Voting instructions accompany each Ballot. Each Holder of a Claim entitled to vote on the Plan should read this Disclosure Statement and Plan, the Order approving this Disclosure Statement, and the instructions accompanying the Ballot in their entireties before voting on the Plan. CONSULTATION WITH COUNSEL IS ALSO RECOMMENDED.

II. BACKGROUND INFORMATION

A. The Debtor's Business and Description of the Property

Established in 1993 as a condominium regime to be known as "100 Harborview Drive Condominium," the Debtor maintains and operates The HarborView Towers,[1] a 29-story building with 249 luxury condominium units, in Baltimore's Inner Harbor. The HarborView Towers is home to approximately 400 residents.

The building was constructed in 1991 and major exterior and interior renovations were undertaken in 2012 and 2015. The residential floors of the building include floors 2 through 27, which are organized as two separate "towers," each with its own elevator core, hallways and exit stairs. The primary common area amenities are on the first floor and the first lower level. A parking garage extends down three levels below the lobby level, but it is not owned by the Debtor. This facility as well as all exterior grounds (except for a small courtyard) are subject to a master homeowners association, the Harborview Marina and Yacht Club Community Association (the "Association"), of which the Debtor is a member.

The common elements include the building exterior, excluding unit windows and doors, interior halls and stairs, excluding hall finishes on penthouse floors 24 through 27, all first floor common areas, and the lower level pool and locker rooms. All building equipment is included except equipment that serves the Association controlled areas such as the parking garage.

The Debtor is organized and existing under the condominium laws of the State of Maryland. Pursuant to the Debtor's By-laws, "[t]he affairs of the condominium shall be governed by the Council of Unit Owners (the "Council"), an unincorporated legal entity, comprised of all the Unit Owners, acting through its Board of Directors (the "Board"), elected or appointed for the purpose of carrying out the responsibilities of the Council, all in the manner

[1] The HarborView Towers is a common trade name synonymous with other names used for the Debtor.

and to the extent hereinafter provided, and subject to the right and power of the Council, or the Board, to employ a manager to administer and supervise the condominium project."

The Condominium Unit Owners are subject to Assessments that provide funds for the Debtor's operating expenses, future capital acquisitions, and major repairs and replacements.

B. The Howard Bank Debt

In 2015 and 2016, the Debtor completed more than $7.8 million in repairs and improvements to the building's interior, exterior, roof and façade. The funds necessary for these renovations were provided by financing from Howard Bank. On or about April 29, 2014, the Debtor executed a Promissory Note in favor of Howard Bank in the original principal amount of $8,000,000 (the "Renovation Loan"), as amended and restated by that Amended and Restated Promissory Note dated December 29, 2014, as further amended and restated by that Second Amended and Restated Promissory Note dated June 3, 2015, and as further amended and restated by that Third Amended and Restated Promissory Note dated August 10, 2015.

On April 29, 2013, the Debtor and Howard Bank entered into an Assignment of Assessments (the "Assignment of Assessments") relating to all Assessments payable to the Debtor under the Condominium Documents.

On or about May 6, 2013, a UCC-1 Financing Statement was recorded with the Maryland State Department of Assessments and Taxation whereby all assets of the Debtor, both cash and non-cash, and all proceeds and products of the collateral were granted as security to Howard Bank.

The Debtor's obligations under the Renovation Loan are secured by the Assignment of Assessments. Pursuant to the Assignment of Assessments, the condominium Assessments collected from the Unit Owners are subject to a lien in favor of Howard Bank.

C. Various Legal Disputes Leading up to the Debtor's Bankruptcy

1. Disputes between the Debtor and PH4C

During the six years prior to the Petition Date, the Debtor was involved in contested mandatory arbitration and litigation matters with Penthouse 4C, LLC ("PH4C") and its single member James W. Ancel, Sr. ("Ancel"). PH4C is the owner of Penthouse Unit 4C consisting of 4,968 square feet in HarborView Towers.

PH4C instituted a lawsuit against the Debtor and several Board members, asserting that they had not maintained the common elements in the Condominium resulting in water infiltration and mold issues in its unit. The Board members were dismissed from the case and the matter was referred to arbitration. On November 24, 2011, an arbitration panel issued an arbitration award in favor of PH4C on its breach of contract and negligence claim against the Debtor. The Majority Panel awarded PH4C $1,252,487.00 and required specific performance (the "November 24, 2011 Arbitration Award").

On December 14, 2011, PH4C filed a petition in the Circuit Court for Baltimore City ("Circuit Court") to confirm the November 24, 2011 Arbitration Award and enter judgment. On June 6, 2011, the Circuit Court entered an order and final judgment affirming the award, including specific performance ("First Judgment").[2] Through insurance proceeds and the

[2] The Circuit Court entered a Corrected Order and Final Judgment on June 25, 2011.

implementation of a special assessment to the Unit Owners, the Debtor raised sufficient funds to pay and satisfy the $1,252,487.00 portion of the judgment in September 2012.

PH4C subsequently contended that the Debtor violated the First Judgment by not complying with the specific performance mandates. PH4C instituted a civil contempt proceeding against the Debtor on March 10, 2014 in the Circuit Court. As a result, PH4C was awarded a money judgment in the amount of $609,030.02 on December 30, 2015 (the "Second Judgment"). The Second Judgment further provides that "if the work is not completed [sic] in two and a half (2 ½) years from 1 January 2014, then additional remedies will be granted as authorized by law. . . ." A Supersedeas Bond (the "Bond") in the amount of $280,134.00 was placed in favor of PH4C from Great American.

As a separate matter, PH4C instituted a separate lawsuit against the Debtor in May 2011, alleging misrepresentations contained in a Resale Certificate allegedly issued to it in connection with its purchase of its penthouse. On June 2, 2015, a subsequent arbitration panel issued an arbitration award in favor of PH4C on its negligence claim in the amount of $1,594,762.00 (the "June 2, 2015 Arbitration Award").

On October 26, 2015, PH4C filed a petition in the Circuit Court to confirm the June 2, 2015 Arbitration Award and enter judgment. Two weeks prior to the Petition Date, on February 24, 2016, the Circuit Court entered an order and final judgment affirming the award ("Third Judgment"). The Debtor timely filed a notice of appeal to the Maryland Court of Special Appeals prior to the Petition Date and the Debtor anticipates continuing the appeal.

On April 21, 2015, PH4C filed another lawsuit against the Debtor in the Circuit Court. The complaint alleges that PH4C's unit suffered water damage as a result of the Debtor's failure to replace a leaking skylight and that the Debtor lacked authority to remove tiles from PH4C's balcony. The case was stayed pursuant to the Bankruptcy Case and the claims will be addressed pursuant to the Plan.

2. Disputes between the Debtor and Clark

As of the Petition Date, Paul C. Clark, Sr. ("Clark"), owner of Penthouse Unit 4A ("PH4A") in HarborView Towers, was pursuing three separate matters against the Debtor. Unlike PH4C, Clark has not obtained any monetary awards against the Debtor or favorable rulings against the Debtor other than the following: *In the matter of Zalco Realty, et al. v. Clark*, 224 Md. App. 13, 119 A.3d 87 (Md. App. 2015), the Court of Special Appeals of Maryland affirmed in part and vacated in part the Circuit Court for Baltimore City, Maryland's injunction requiring the Debtor to provide communications regarding the financial well-being of the Debtor, but not attorney-client communications.

On May 8, 2013, Clark filed a complaint alleging negligence, breach of contract and breach of fiduciary duty in connection with his purchase of Penthouse 4A in late 2009, claiming that water intrusion, mold and building defects damaged his unit and rendered it uninhabitable. The Debtor denied liability primarily on the ground that the complaint was barred by *res judicata* because the same issues were resolved in a prior ruling against Clark in the matter captioned *Clark v. Zalco Realty, Inc., et al*, Case No. 24-C-13-000322. The Circuit Court ordered arbitration and the Debtor appealed the order to the Court of Special Appeals. On April 8, 2015, the Court of Special Appeals issued an opinion affirming the trial court's ruling on arbitration. The arbitration was scheduled to take place in May, 2016, but was stayed pursuant to the Bankruptcy Case.

In March 2014, Clark filed a request to permit "proxies" at the Debtor's Board and committee meetings. The Debtor counterclaimed seeking access to Clark's unit to make

necessary repairs and maintenance. On February 18, 2015, the trial court granted summary judgment in favor of the Debtor on Clark's claim and entered an injunction against Clark requiring access to his unit. Clark appealed both rulings. The parties argued their positions before the Court of Special Appeals in January 2016. The Debtor is awaiting the appellate decision, however the case was stayed pursuant to the Bankruptcy Case. The Debtor does not anticipate proceeding with the appeal in light of the treatment and implementation of the Plan.

While the other cases were pending, on October 3, 2014, Clark on behalf of himself, his wife and minor son filed a complaint against the Debtor and others in the United States District Court for the District of Maryland (Case No.: 14-3122- JFM). In this case, Clark alleges various violations of the Fair Housing Act for discrimination on the basis of familial status and unlawful retaliation for filing earlier Housing & Urban Development ("HUD") complaints against the Debtor. On March 23, 2016, The Honorable J. Frederick Motz entered an order dismissing the claims against certain co-defendants with an accompanying opinion that eviscerated the merits of Clark's claims. Clark and the Debtor were engaged in discovery and a settlement conference was set for June, 2016. The case was stayed pursuant to the Bankruptcy Case and any claims will be extinguished pursuant to the Plan.

III. EVENTS LEADING TO BANKRUPTCY

The Debtor's bankruptcy filing was precipitated by the proliferation of lawsuits against it that resulted in certain judgments being entered whereby the Debtor's bank accounts were garnished and the Debtor was prevented from paying for basic services necessary to the health, safety and security to its Unit Owners. More specifically, in an effort to collect on the Second Judgment, PH4C issued writs of garnishment on the Debtor's bank accounts at Howard Bank and Citizens Bank in January 2016. In February 2016, PH4C further garnished the Debtor's management company, Barkan Management, LLC.

In response to the garnishments, Howard Bank filed a motion to dismiss the garnishments against PH4C asserting a secured priority interest in the garnished funds. These contested proceedings froze all of the Debtor's accounts effectively preventing the Debtor from providing services for the health, safety and security to its Unit Owners and paying its Creditors.

After the filing of the Bankruptcy Case, the garnishments were released and the Debtor's bank accounts were restored to operation.

IV. THE BANKRUPTCY CASE

A. The Bankruptcy Filing

On the Petition Date, March 9, 2016, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court. Subsequently, the Bankruptcy Court notified the parties that the meeting of creditors would take place on April 6, 2016, that the last day to file Proofs of Claim for all Creditors, except governmental units was July 5, 2016, and that the last day to file Proofs of Claim for governmental units was September 6, 2016.

B. Continuation of the Business

After the Petition Date, the Debtor has continued to operate its business as a debtor in possession under the Bankruptcy Code. Pursuant to the Bankruptcy Code, the Debtor is required to comply with certain statutory reporting requirements, including the filing of monthly operating reports. The Debtor is current on all filing requirements.

C. Professionals Retained

In connection with the commencement of the Chapter 11 Case, the Debtor sought and obtained Bankruptcy Court approval for the retention of Yumkas, Vidmar, Sweeney & Mulrenin, LLC as its bankruptcy counsel. The Debtor also sought and obtained Bankruptcy Court approval for the retention of Rees Broome, PC as Special Condominium Litigation Counsel and UHY LLP and UHY Advisors Mid-Atlantic MD, Inc. as its accountant and auditor.

D. Management

The Debtor is a non-profit condominium association and has no shareholders. The affairs of the Debtor are carried out by its duly elected or appointed Board. The current officers of the Debtor are as follows:

Reuben Mezrich	President
Nancy Rosenberg	Vice President
David Rorison	Vice President
Linda Lampkin	Secretary
Michael DeLorenzo	Treasurer

The Board members are Unit Owners in HarborView Towers. The Board members do not receive compensation for their services, however the By-laws permit the Board to receive a sum of $10.00 per year for attendance at regular and special meetings of the Board. The Board will remain in their current positions pursuant to the Debtor's Condominium Documents.

In December 2012, the Debtor entered into a Management Contract with Barkan Management LLC ("Barkan") to serve as the manager of the Debtor's daily operations and to oversee and manage the Debtor's common elements and facilities. The Debtor seeks to continue the Management Contract with Barkan and to assume that contractual relationship.

E. Significant Events

1. First-Day Motions

To minimize any adverse impact on the Debtor's business as a result of the commencement of the Chapter 11 case, the Debtor requested various types of relief in its "first-day" motions. These motions sought, among other things, to (a) approve the use of cash collateral on an interim and final basis to cover day-to-day operating expenses, (b) permit the continuation of the Debtor's existing bank accounts, (c) limit notice and establish noticing procedures, (d) continue utility service on an interim and final basis, and (e) establish certain other administrative procedures to promote a smooth transition into Chapter 11. The Bankruptcy Court entered orders approving all of the first-day motions allowing the Debtor to continue its business operations without interruption.

2. PH4C's Motion to Dismiss Bankruptcy Case for Lack of Authority

On March 22, 2016, PH4C filed a motion to dismiss the Bankruptcy Case. The Bankruptcy Court issued a memorandum opinion on May 11, 2016 deferring its decision on the merits of the motion to dismiss for 120 days to permit the Debtor the opportunity to ratify the action of the Board of Directors in filing the bankruptcy. On June 28, 2016, the Debtor ratified the decision to file the bankruptcy as follows:

> In accordance with Article III, Section 6 of the By-laws, a special meeting to vote to ratify the instant bankruptcy was held in the Baltimore Room at the 100 Harborview Drive Condominium building on June 28, 2016.
>
> A vote was taken and the tally indicated 75.565% of the total votes of the Council of Unit Owners, by proxy or ballot, approved the filing of the Debtor's Chapter 11 bankruptcy case.
>
> Therefore, pursuant to Article XV, Section 1 of the By-laws, a majority of the Unit Owners within the Condominium, as then constituted at the special meeting of the Council, duly convened upon notice, upon motion duly made and carried after full discussion, ratified the action of the Board in filing the instant bankruptcy petition on March 9, 2016, thus satisfying the Court's Order.

3. Clark's Motion for Relief from Stay to Proceed with Court Actions against the Debtor

On March 24, 2016, Clark filed a motion for relief from stay to proceed with the court actions against the Debtor as described *supra*. The motion was opposed by the Debtor on April 11, 2016. At the June 9, 2016 hearing, the Court deferred ruling on the motion and directed the parties to meet, confer and coordinate on addressing Clark's concerns and the obligations of the Debtor. Since this time, the Debtor's building envelope engineer, Coleman Consulting ("CC"), and Clark's privately retained engineer, Raths, Raths & Johnson ("RRJ") are in the process of creating a flood testing protocol to test for any water infiltration. The Debtor has requested that testing be scheduled to take place on October 31, 2016 and November 1, 2016. During the testing some leaks were discovered. The Debtor is in the process of immediately pursuing remediation of these leaks and will also seek to rely upon such warranties as may be available to cover those costs. A copy of the report by Coleman Consulting is available upon request.

4. PH4C's Motion for Rule 2004 Examination

On May 10, 2016, PH4C filed a motion for Rule 2004 examination of the Debtor. The Debtor opposed the motion on May 24, 2016. A hearing was held on June 29, 2016 and the motion was granted. The Debtor produced responsive documents on July 18, 2016.

5. PH4C's Motion for Relief from Stay to Proceed with Court Actions against the Debtor

On June 8, 2016, PH4C filed a motion for relief from the automatic stay seeking to proceed with state court litigation. On June 17, 2016, the Debtor filed an opposition to the motion. On July 1, 2016, the motion was denied by the Bankruptcy Court.

6. Motion for Authority to Enter into Insurance Premium Finance Agreement

In the ordinary course of business and in compliance with the Condominium Documents, the Debtor maintains various insurance policies in order to continue its operations. The Debtor's property, general liability, directors & officers, and umbrella coverage were up for renewal in July. The total premium due was $183,755.11. The Debtor sought approval by the Bankruptcy Court to execute a Premium Finance Agreement with Imperial Premium Finance Services Corporation ("IPFS") to pay a down payment of $69,850.00 and pay the remaining

balance in eight (8) monthly installments of $14,433.71 each. The Premium Finance Agreement was approved by the Bankruptcy Court on August 3, 2016.

7. Exclusive Periods to File a Plan of Reorganization and Obtain Acceptances

On June 16, 2016, the Debtor filed a motion to extend the exclusive periods to file a plan of reorganization and obtain acceptances through and including October 5, 2016 and December 5, 2016, respectively. On July 5, 2016, the motion was opposed by PH4C. On July 8, 2016, the Court granted the motion. On October 4, 2016, the Debtor filed a Second Motion for Order Extending Exclusive Periods to File Plan of Reorganization and Obtain Acceptances thereto by 30 Days [Dkt. No. 179], seeking to extend the exclusive filing period and the acceptance period through and including November 4, 2016 and January 4, 2017, respectively. The motion is pending.

F. Overview of the Debtor's Reorganization Efforts

Since the Petition Date, the Debtor has concentrated its efforts to stabilize and reorganize its affairs. Of primary importance, the Debtor has evaluated its operating costs to determine whether certain budgetary items can be reduced or eliminated without sacrificing the safety and services to the Unit Owners. As part of these efforts, the Debtor has engaged Design Management Associates, Inc. ("DMA"), a commercial building strategic planning consultant, to draft a comprehensive analysis and update on the Debtor's current funding of its Operating Reserve Fund and Repair and Replacement Reserve Funding (collectively, the "Reserve Accounts"). Ensuring that adequate reserve funds are established to maintain the common elements of the building is essential to the Debtor's reorganization efforts and future viability. The Debtor is committed to performing preventative maintenance and replacements as outlined in the DMA Interactive Reserve Analysis ("Reserve Study"). A copy of the Reserve Study, dated October 18, 2016 in draft form is attached as **Exhibit 2** and is subject to review, revisions and approval by the Debtor's maintenance committee. The Debtor continues to work with Ancel, Clark and other Unit Owners to address their specific concerns. The Reserve Study and the Debtor's obligation to properly fund the Reserve Accounts and implement repairs and replacements are a crucial component to preserving and enhancing the building for all Parties in Interest.

G. Present Condition and Anticipated Future of the Debtor

The Debtor has successfully operated in accordance with its budgets during this Bankruptcy Case as approved by the Bankruptcy Court. A copy of the actual performance from the Petition Date through November 30, 2016 is attached as **Exhibit 3**.

On December 19, 2016, the Bankruptcy Court approved the further use of cash collateral in accordance with the annual budget for 2017, which was approved by the Debtor on December 12, 2016. A copy of the Annual Budget for 2017 is attached as **Exhibit 4**. The 2017 Annual Budget reflects the funding required for the operational demands of the Debtor and the Plan payments.

The Debtor asserts that the Plan offers an opportunity to end years of litigation and impose common sense and responsive financial management of the Debtor. The Debtor believes that use of litigation as a solution to its financial, management and Plan responsibilities should be a last resort. The Debtor will seek to resolve Claims in good faith and proceed with formal objections where necessary. The Debtor and its Professionals anticipate that the Plan is feasible and that the Debtor's reorganization is not likely to be followed by any additional reorganization or liquidation proceedings.

H. Claims Asserted against the Estate

The Bar Date for filing prepetition Claims against the Debtor was July 5, 2016 for non-governmental entities, and the Bar Date for governmental entities was September 6, 2016. The Debtor has undertaken a review of the Proofs of Claim filed to prepare a preliminary reconciliation of the filed Proofs of Claim with the Debtor's Schedules and its books and records with a view to eliminate duplicative or erroneous Claims and to insure only valid Claims are ultimately Allowed.

One hundred thirty-three (133) Proofs of Claim were filed against the Debtor. Based on a review of the Debtor's Schedules and Proofs of Claim, one (1) Claim is asserted as a Priority Tax Claim in the amount of $200.00, three (3) Claims totaling $8,738,812.63 are asserted as Secured Claims, and one hundred twenty-eight (128) Claims are asserted as Unsecured Claims aggregating $39,495,727.06.

Certain Administrative Expense Claims have been paid by the Debtor pursuant to the Administrative Order Pursuant to 11 U.S.C. §§ 105, 328 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Professionals [Dkt. No. 75]. As of October 1, 2016, the Debtor recorded unpaid administrative expenses in the approximate amount of $85,000.00.

I. The Debtor's Assets and Liabilities

1. Assets

a. Common Elements and Personal Property. The Debtor is responsible for the common elements in the building. The common elements include the building exterior, excluding unit windows and doors, interior halls and stairs, excluding hall finishes on penthouse floors 24 through 27, all first floor common areas, and the lower level pool and locker rooms. All building equipment is included except equipment that serves the Association controlled areas such as the parking garage. As of the Petition Date, the Debtor valued these assets at $4,796,445.65. However, the valuation of the physical plant assets are speculative given that they are affixed to the building and valued as part of the Debtor's ongoing operations and would have a *de minimus* liquidation value.

b. Real Property. The Debtor owns Unit 907 and Unit 1310 in the Building as a result of a foreclosure of these properties for past due Assessments. As of July 1, 2016, the assessed value of the units were $239,000 and $158,600, respectively. At this time the Debtor has not determined the fair market value of the units. The Debtor has repaired the units and made them suitable for rental. The Debtor currently rents the units for $2,850 and $2,000 a month, respectively. The leases are for a one-year period. The current rental income is insufficient to cover the real estate taxes and condominium fees. The Debtor will seek to sell or refinance the units under the Plan.

c. Causes of Action. In addition to Claim objections, the Debtor anticipates (1) continuing its pursuit of the appeal resulting from the Third Judgment, as discussed *supra*, (2) participating, as necessary in the pending litigation *Harford Ins. Co. v. Harborview Marina & Yacht Club Community Association, Inc.*, Case No. 8:16-cv-00769-PJM (D. Md.), discussed in greater detail in Section H.2.k. and (3) pursuing the following potential causes of action:

i. Violation of the Automatic Stay, Injunctive Relief and Claim Objection against Clark, Rebecca Delorme ("Delorme" and Paul C. Clark, Jr. ("Clark, Jr.)—On July 5, 2016 Clark, Delorme and Clark, Jr. each filed proofs of claim seeking

recovery of $4,935,606, $10,307,524 and $10,307,524, respectively for losses allegedly suffered from water infiltration into the PH4A unit.

The Debtor anticipates filing a complaint for injunctive relief and other relief under § 105 of the Bankruptcy Code, and an objection to the Claims because they are substantively deficient, *inter alia*.

ii. Avoidance Action against PH4C—Prior to the Petition Date, PH4C obtained the Second Judgment and Third Judgment against the Debtor, discussed *supra*. These judgments constitute voidable liens on the two condominium units owned by the Debtor, Unit 907 and 1310. The judgments were entered within ninety days before the Petition Date and the Debtor was insolvent during this time. The Debtor anticipates filing a complaint to determine the validity, extent and priority of the liens under § 506 of the Bankruptcy Code and seeks to avoid the transfers pursuant to § 547 of the Bankruptcy Code.

2. Liabilities

a. Administrative Expenses. The Debtor has incurred and continues to incur liabilities for Professional fees and expenses in connection with this Chapter 11 Case. The Debtor estimates that, as of the Effective Date, it will have reserves for administrative liabilities of approximately $500,000.00 for accrued fees and expenses of Professionals in this Chapter 11 Case.

b. Priority Tax Claims. The Internal Revenue Service filed its Proof of Claim on April 1, 2016 asserting a Priority Tax Claim against the Debtor in the amount of $200.00.

c. Assumed Contracts. During the course of the Debtor's operations, the Debtor has entered into crucial executory contracts that provide necessary services to the Building and Unit Owners. In order to reorganize, on the Effective Date, the Debtor will be required under the Bankruptcy Code to assume and cure any defaults existing under these contracts. The Debtor estimates that these Claims total approximately $764,400.66. The assumptions will allow the completion and fulfillment of pending construction projects.

d. Interior Repairs. During the Bankruptcy Case, the Debtor has been working with Clark, PH4C and other Unit Owners to perform necessary maintenance and repairs. That process has experienced delays and additional expense due to Clark's insistence that communications be processed through counsel. The Debtor estimates that these repairs and maintenance costs to be $392,829.00. Actual costs will be determined through a competitive bidding process.

e. Secured Claim of Howard Bank. The Debtor's largest Secured Creditor is Howard Bank. Howard Bank asserts a Secured Claim against the Debtor in the amount of $7,849,782.01, consisting of $7,821,823.73. However, the Debtor has requested that the full draw of $8 million be advanced as part of the Plan and its implementation.

f. PH4C First Judgment. As discussed *supra*, the First Judgment was entered against the Debtor awarding $1,252,487 in compensatory damages to PH4C and requiring specific performance by the Debtor. The Debtor paid the money judgment portion of the award through a special assessment in September 2012. Of the $1,252,487, $819,000.00 was specifically awarded to allow PH4C to be restored. To date, PH4C has made no effort to restore the unit. PH4C contends that it cannot repair its unit until all of the work set forth in the specific performance award, as detailed below, is completed. The Debtor disagrees with PH4C's position.

g. The specific performance portion of the First Judgment provides that:

> "ORDER and AWARD (in addition to monetary damages awarded above)
>
> The Council must clean the rooftop HVAC unit and the ductwork from those units, through the elevator lobbies on each floor of the building in accordance with the National Air Duct Cleaners Association (NADCA) standards. The rooftop must be fully insulated. The work must be completed within 60 days.
>
> The Council must replace the building's roof system and repair the exterior façade and other matters in accordance with Page 18 of the CSG's report of August 18, 2009. The work must be completed within 2 years. CSG's proposal is attached and incorporated herein."

Page 18 of CSG's report states:

> **V. RECOMMENDATIONS**
>
> Develop a Project Manual for phased for phased [sic] roof and façade rehabilitation include technical specifications, drawings, general condition requirements and bidding documents for competitive bidding of the following rehabilitative work:
>
> **A. Phases 1-3:**
> – Supplement fall arrest protection system.
> – Curtain wall glazing.
> – Selective tuckpointing.
> – Selective brick replacement.
> – Selective masonry flashing installation.
> – Masonry expansion joint width medication.
> – Selective precast concrete repairs.
> – Selective precast concrete cornice stabilization.
> – Selective EIFS repairs.
> – Selective polyurethane terrace/balcony coating repair.
> – Selective balcony drain/pipe connecter fitting replacement.
> – Selective repair of balcony drywall soffits.
> – Install flashing pans under penthouse/Beacon access hatches.
> – Remove and replace railings.
> – Clean façade.
> – Apply penetrating sealer to masonry and precast.
> – Clean and paint exposed structural steel.
> – EIFS/CMU elastomeric coating.
> – Paint drywall soffits.
>
> **B. Phase 4**:
> – Scope of work as listed for Phases 1 through 3.
> – Main roof replacement.

Of these items, only the "remove and replace railings" is incomplete as discussed below. There are minor punch out items remaining on these tasks, but the sum of approximately $40,000.00 has been retained by the Debtor to insure proper completion of those items. As to the "remove and replace railings," the railings for units PH4A, PH4C and Unit 1310 have been replaced. The cost for the remainder of the building is estimated to be less than $800,000 to $1.6 million depending upon which option for addressing these obligations is approved by Class 9 of the Plan and confirmed by the Bankruptcy Court. The exact cost of the remaining railing repair will be determined by a competitive bidding process. This work was halted as a result of the collection and garnishment actions of PH4C prior to the Petition Date. The Debtor's efforts on appeal to obtain a reversal of the First Judgment requiring repair and replacement on the basis that there is nothing deficient with the railings, was unsuccessful. PH4C asserts that other specific performance obligations have not been repaired or were repaired unsatisfactorily (i.e. certain curtail wall glazing has not been adequately performed, certain damaged windows and doors have not been repaired, the building envelope still leaks, none of the railings are code-compliant and work that has been performed was substandard and not consistent with industry standards). The Debtor disagrees with PH4C's assertions. Accordingly, a resolution of the repair and replacement obligations are a necessary component of the Plan and are detailed more fully in Class 9.

h. PH4C Second Judgment. As discussed *supra*, the Second Judgment in the amount of $609,030.02 was entered against the Debtor on December 30, 2015. It provides that "if the work is not competed [sic] in two and a half (2 ½) years from 1 January 2014, then additional remedies will be granted as authorized by law. . . ." The Bond in the amount of $280,134 was placed in favor of PH4C from Great American by the Debtor.

In the Bankruptcy Case, pursuant to the Consent Order Authorizing the Debtor's Final Use of Cash Collateral Through August 31, 2016 [Dkt. No. 79] ("Cash Collateral Consent Order"), the Debtor stipulated and agreed that PH4C may enforce the Bond notwithstanding the Debtor's bankruptcy filing. The Cash Collateral Consent Order reduced the principal amount of PH4C's $609,030.62 money judgment claim and garnishment claim against the Debtor by the $280,134.00 amount of the Bond.

i. PH4C Third Judgment. As a separate matter, PH4C has a Third Judgment against the Debtor in the amount of $1,594,762.00 arising from the June 2, 2015 Arbitration Award, discussed *supra*. The Debtor timely filed a notice of appeal to the Maryland Court of Special Appeals prior to the Petition Date and anticipates continuing the appeal.

j. General Unsecured Claims. Based on the Debtor's Schedules and an initial review of the filed Proofs of Claim, the estimated General Unsecured Claims total approximately $60,013.66, exclusive of the $30 million of Claims filed by certain Unit Owners.

k. Harborview Marina and Yacht Club Association, Inc. Claim. On or about November 22, 2014, Pier 2, located adjacent to the Debtor's building that is owned by the Association partially collapsed. The Association alleges that the partial collapse was caused by stress placed on the pier by C.A. Lindman, a contractor hired by the Debtor to repair the building façade. The Association filed a proof of claim against the Debtor in the approximate amount of $5,598,000.00 for the partial pier collapse and other damage caused to the Association property.

The Debtor disputes the Association's Claim for various reasons, including insurance coverage and the right of indemnity from C.A. Lindman. The Debtor asserts that it is not responsible for any damages arising from the pier collapse and no Claim by the Association against the Debtor exists. The pier collapse is the subject of a pending litigation *Harford Ins. Co. v. Harborview Marina & Yacht Club Community Association, Inc.*, Case No.

8:16-cv-00769-PJM (D. Md.) and the result of that litigation may determine what, if any, obligations are owed by the Debtor. The Debtor intends to participate appropriately in such litigation and dispute resolution process with the assistance of insurance coverage. To the extent the Debtor has any liability arising from this occurrence, it will look to its insurance coverage or any third-party that is responsible.

l. Unit Owners' Claims. As a result of the Bankruptcy Case, certain Unit Owners have asserted alleged property damage and related claims for damages resulting from the Debtor's alleged failure to make necessary repairs and remediation. The estimated amount of these Claims is $30,931,234.00.

V. IMPLEMENTATION OF THE PLAN

A. Purpose of Reorganization

The Debtor is a condominium regime that contains infrastructure and amenities (capital assets) that are owned in common by all Unit Owners. The Debtor is responsible for operating, maintaining, and replacing these assets. A necessary component of the Debtor's reorganization is the proper funding and maintenance of its Operating Reserve Fund and a Repair and Replacement Reserve Fund (collectively, "Reserve Accounts"). The Operating Reserve Fund is a fund set aside to stabilize the Debtor's finances by providing for unexpected cash flow shortages, expenses or losses. The Repair and Replacement Reserve Fund is designed to accumulate funds for capital replacement of the commonly owned assets. The Repair and Replacement Reserve Fund is a dedicated account can be accumulated over a period of years without being taxed, however the funds can only be used for the repair or replacement of capital assets.

Prior to the Petition Date, the Debtor underfunded its Reserve Accounts and necessary repairs and replacements did not occur. This contributed to the Debtor's inability to timely maintain certain common elements. This failure then resulted in the three judgments entered in favor of PH4C. Under the Plan, the Debtor is projected to contribute more than $1.5 million to the Reserve Accounts in the first three years of the Plan.

The Debtor's contributions to the Repair and Replacement Reserve Fund are based on an October 18, 2016 Reserve Study which indicates that the Debtor's current Reserve Accounts are significantly underfunded. As such, the Plan contemplates increasing the reserve contribution to $400,000 in 2017 with an annual increase of six percent (6%) for thirty years. This will fund all projected short-term and long-term operating and capital expenditures over the thirty-year period. It will also moot the proofs of claims filed by certain Unit Owners because the Reserve Accounts are designed to address regularly scheduled repair, maintenance and replacement of the common elements for the benefit of all Unit Owners and to adequately protect the secured interest of Howard Bank.

The purpose of the Plan is to provide a means for the Reorganized Debtor to continue its operations, maintain the Reserve Accounts at a sufficient level to provide for essential repairs, maintenance and capital improvements to the Building, and provide a meaningful Distribution to all Allowed Claims.

B. Overview

All property of the Debtor's Estate not otherwise specifically treated under the Plan shall become the Reorganized Debtor's property. The Reorganized Debtor will implement the terms of the Plan, including making Distributions to Holders of Allowed Claims as set forth in the Plan.

C. Funding of the Plan and Implementation

The Plan will be funded from five (5) sources: (1) Cash on hand on the Effective Date, (2) the continued collection of Annual Assessments from Unit Owners, (3) the collection of a $550,000.00 Special Assessment from Unit Owners, (4) recoveries from the pursuit of any claims, rights, or other legal remedies the Debtor has, or may have in the future, and (5) rental income derived from Units 907 and 1310 and the sale of those units, and (6) additional principal advancement on the Howard Bank Loan. The Debtor reserves the right to use funds from other sources not contemplated herein to fund the Plan, and/or vary the proportions of funds from these or such other sources, provided the intent and purposes of the Plan are adequately addressed.

Beginning Cash Balances. The Plan anticipates funding certain Claims using Cash of the Debtor existing as of the Effective Date. As of the Effective Date, the Reorganized Debtor has approximately $1.5 million of Cash on hand.

Annual Assessment. The main funding source for the Plan is the continued collection of the Annual Assessment from the Unit Owners. While future performance is difficult to forecast with precision as to the Reorganized Debtor's income and expenses during the term of the Plan, the Debtor has modeled forecasts to comply with the budgeting requirements set forth in the Condominium Documents and the Plan. The 2017 budget reflects a ten percent (10%) increase in the Annual Assessment from the 2016 budget. This increase will allow the Debtor to pay its common expenses, Plan payments to Creditors and provide the funds necessary for the Reserve Accounts. If the expense and income projections remain consistent during the first eight calendar years after the Effective Date, there will be no need for the Annual Assessment to increase in those years. After such eighth year or in the event the Bankruptcy Court Allows Claims in excess of those projected in the Plan, the Debtor anticipates that the Annual Assessment may need to be increased by an additional three percent (3%). After the tenth year following the Effective Date or in the event the Bankruptcy Court Allows Claims in excess of those projected in the Plan, the Debtor anticipates that the Annual Assessment may need to be increased by at least an additional two percent (2%). In the event the Bankruptcy Court Allows any Class 7 and Class 8B Claims, as described *infra*, as Allowed General Unsecured Claims, the Debtor anticipates the need to increase the Annual Assessment by the requisite amount. The Plan does not provide for any cash Distribution to be made to Class 7 and Class 8B Claims other than maintenance of adequate deposits into the Reserve Accounts and the proceeds of any insurance covering damages for the pier collapse.[3] In order to adequately budget for the payments required by the Plan and in order to provide financial stability for Unit Owners, the Debtor has taken into account increases in operating expenses due to inflation and increases in Reserve Accounts required for the Debtor to adequately maintain the Condominium. Although every effort has been made to accurately predict these costs, it is possible that income and expenses will need to be adjusted annually by the Board of Directors to remain in compliance with the Condominium Documents and Plan, and accordingly the Debtor reserves the right to adjust the same. Such discretion to adjust the income and expenses of the Reorganized Debtor remains at all times with the Board of Directors pursuant to the Condominium Documents and Plan. Therefore, the Debtor reserves the right to increase or decrease Annual Assessments and operating expenses provided the Debtor conforms to the Condominium Documents and the terms of the Plan.

Special Assessment. The Condominium Documents further authorize the Debtor to implement an additional assessment, should the Board of Directors at any time determine that additional funds are required for the operation and maintenance of the Debtor. The Plan contemplates, among other things, a source of funding from the Board of Director's

[3] Any de minimus amounts owed to Class 7 and Class 8 Claims would be covered by the Unsecured Convenience Class 4 treatment.

implementation of a one-time special assessment in the aggregate Cash amount of five hundred fifty thousand and 00/100 dollars ($550,000.00) (the "Special Assessment") from the Unit Owners to cover the initial payments required under the Plan. The Plan assumes that the Special Assessment will be assessed on January 1, 2017 pursuant to each Unit Owner's percentage interest factor and is due on or before July 1, 2017. Provided the Board of Directors has not implemented the Special Assessment as of the Confirmation Date, the Confirmation Order shall authorize the Reorganized Debtor to take all actions required to implement the Special Assessment promptly after Confirmation.

Causes of Action. The Plan contemplates the possibility of future Cash receipts from the pursuit of various Causes of Action. All Causes of Action are preserved and retained by the Reorganized Debtor and on the Effective Date shall become assets of the Reorganized Debtor. On and after the Effective Date, the Reorganized Debtor shall have the exclusive right to enforce any and all Causes of Action retained by the Reorganized Debtor against any Person. The Reorganized Debtor may prosecute, defend, enforce, abandon, settle or release any or all Causes of Action as it deems appropriate without the need to obtain approval or any other or further relief from the Bankruptcy Court. The Reorganized Debtor may, in its sole discretion, offset any such Claim held against a Person, against any payment due such Person under the Plan; *provided*, *however*, that any claims of the Debtor arising before the Petition Date shall first be offset against Claims against the Debtor arising before the Petition Date. All defenses and rights of avoidance of the Debtor shall be retained and may be exercised by the Reorganized Debtor. These causes of action include causes of action under Chapter 5 of the Bankruptcy Code, claims and rights existing under insurance policies of the Debtor, claims against Paul Clark, PH4C and the parties involved in or implicated by the pier collapse, as further described in Section H.1.c. and H.1.k.

Sale of Unit 907 and Unit 1310. In the event the Debtor sells or refinances either Unit 907 or Unit 1310, any net proceeds from such sale will be used to fund the Plan. [4]

D. Continued Operations

The Plan contemplates funding, from the on-going continued operations of the Reorganized Debtor that will produce net-positive Cash receipts after taking into account regular Cash disbursements made in the normal course of business of the Reorganized Debtor, but before taking into account payments contemplated by the Plan.

Cash Receipts: The Plan anticipates ongoing Cash receipts from the Annual Assessment, as described *supra*.

Cash Disbursements: The Plan anticipates ongoing Cash disbursements for operational expenses made in the regular course of business and predicted based on similar Cash disbursements in the past and those in Debtor's budget submitted in the Bankruptcy Case. The Plan anticipates Cash disbursements for the Debtor's operational expenses to be increased one and a half percent (1.5%) each year (cumulatively) in order to represent adjustments for inflation.

E. Reserve Payments

A necessary component of the Debtor's reorganization is the preservation of its Operating Reserve Fund and its Repair and Replacement Reserve Fund, which are collectively

[4] PH4C asserts that additional information is required on the specifics of how the net proceeds will be used to fund the Plan, including order of priority and acceleration of payments under the Plan. The Debtor asserts that no further information is required and, alternatively, that such specifics may be addressed upon Confirmation.

referred to as the Reserve Accounts. The Operating Reserve Fund is a fund set aside to stabilize the Debtor's finances by providing for unexpected cash flow shortages, expenses or losses. To fund the Operating Reserve Fund, the Reorganized Debtor will accumulate and set-aside funds equal to an amount sufficient to fund anticipated Cash disbursements for the subsequent six months. It is generally recommended by condominium auditors that common interest ownership associations, such as Debtor, accumulate an operating reserve equal to 10-20% of the annual operating budget. Because the Operating Reserve Fund was historically underfunded prepetition, the Debtor anticipates making payments in excess of the 10-20% to bring the Operative Reserve Fund up to date.

The Repair and Replacement Reserve Fund is designed to accumulate funds for capital repairs and replacement of the commonly owned assets of the Condominium. Based on a draft October 18, 2016 Reserve Study (attached as Exhibit 2), the Debtor's current Repair and Replacement Reserve Fund is significantly underfunded. As such, the Plan contemplates (i) a significant Cash disbursements upon Plan Confirmation to bring the Repair and Replacement Reserve Fund to approximately $512,823.00, and (ii) increasing the annual reserve contribution to approximately $400,000 in 2017 with an annual increase of six percent (6%) for a majority of years during the Plan. This account will fund all projected short-term and long-term capital expenditures over a thirty-year period so that the Reorganized Debtor can adequately and reasonably maintain the Condominium.

F. Management

Upon the Effective Date, the Reorganized Debtor shall continue to be controlled and managed by the Board of Directors consistent with the Debtor's Condominium Documents.

Property Management.

In the ordinary course of business, the Reorganized Debtor, pursuant to the Condominium Documents and the Plan, shall continue having a management company supervise the daily operations and management of the common areas and facilities.

G. Condominium Documents Amendment

As part of the Plan, the Reorganized Debtor reserves the right to amend the current Condominium Documents to strengthen the rights of the Council with respect to dealing with noncompliant Unit Owners and other methods of dispute resolution.

H. Vesting of Property of Estate in the Reorganized Debtor

Pursuant to § 1141(b) of the Bankruptcy Code, on the Effective Date all Property and rights of the Estate shall vest in the Reorganized Debtor and shall remain in the Estate to be distributed in accordance with the terms of the Plan. As of the Effective Date, the Reorganized Debtor may operate its Condominium and use, acquire, and dispose of its Property, and settle and compromise Claims without the supervision of, or any authorization from the Bankruptcy Court or the United States Trustee, free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. All privileges with respect to the Property of the Estate, including the attorney/client privilege, to which the Debtor is entitled shall automatically vest in, and may be asserted by or waived on behalf of, the Reorganized Debtor.

I. Continued Organizational Existence

The Reorganized Debtor shall continue to exist as an association under the condominium laws of the State of Maryland after the Effective Date, with all of the powers of a condominium thereunder.

J. Corporate Action; Further Acts

On the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects by virtue of the entry of the Confirmation Order, in accordance with the Bankruptcy Code and applicable state law and without requirement of further action by the Board of Directors of the Debtor or Reorganized Debtor. On the Effective Date, all matters provided for under the Plan involving the structure of the Debtor or the Reorganized Debtor, or any formal action to be taken by or required of the Debtor or the Reorganized Debtor in connection with the Plan, shall be deemed to have occurred and shall be in effect pursuant to the Bankruptcy Code, without any requirement for further action by the Board of Directors of the Debtor or the Reorganized Debtor. On the Effective Date, the Board of Directors of the Reorganized Debtor are authorized and directed pursuant to § 1142(b) of the Bankruptcy Code to implement the provisions of the Plan and any other agreements, documents and instruments contemplated by or necessary for the consummation of the Plan in the name of and on behalf of the Reorganized Debtor.

VI. TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS, PRIORITY CLAIMS AND PRIORITY TAX CLAIMS

In accordance with the provisions of § 1123(a)(1) of the Bankruptcy Code, Administrative Claims, certain Priority Claims, and Priority Tax Claims are deemed "unclassified." These Claims are not considered Impaired pursuant to § 1129(a)(9)(A) or (C) of the Bankruptcy Code, and Holders of these Claims do not vote on the Plan because they are automatically entitled to specified treatment under the Bankruptcy Code. As such, the Debtor has not placed these Claims in a Class. All Distributions made pursuant to the Plan shall be in Cash as described below. Notwithstanding anything to the contrary contained therein, in no event shall the aggregate amount of Distributions with respect to any unclassified Claim exceed the Allowed Amount of such Claim. The treatment of and the consideration to be received by the Holders of these unclassified Claims shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Claims (of any nature whatsoever).

A. Allowed Administrative Claims

Each Holder of an Allowed Administrative Claim shall be Paid in Full, in Cash, in accordance with the priority of distribution set forth in § 507(a)(2) of the Bankruptcy Code, on the latest of (a) the Effective Date, (b) the tenth (10th) Business Day after the date upon which such Claim becomes an Allowed Claim, (c) the date upon which such Allowed Claim becomes due according to its terms, or (d) as otherwise ordered by a Final Order of the Bankruptcy Court. Any Holder of an Allowed Administrative Claim may agree to a different, but not better, treatment of its Claim, in which event the Reorganized Debtor shall pay such Claim in accordance with such agreement. In the case of a Professional with an Allowed Administrative Claim, that Professional shall be paid first from any retainer held by such Professional, and as to a balance, if any, after application of the retainer, shall be paid from Cash.

B. Allowed Priority Claims

Each Holder of an Allowed Priority Claim shall be Paid in Full, in Cash, in accordance with the priority of distribution set forth in § 507(a)(2), (a)(3), or (a)(8) of the

Bankruptcy Code, on the latest of (a) the Effective Date, (b) the tenth (10th) Business Day after the date upon which such Claim becomes an Allowed Claim, (c) the date upon which such Allowed Claim becomes due according to its terms, or (d) as otherwise ordered by a Final Order of the Bankruptcy Court. Any Holder of an Allowed Priority Claim may agree to a different, but not better, treatment of its Claim, in which event the Reorganized Debtor shall pay such Claim in accordance with such agreement.

C. Priority Tax Claims

Each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive Cash (i) in an amount equal to the amount of such Allowed Priority Tax Claim on the Effective Date or (ii) as soon as reasonably practicable after the date of a Final Order allowing such Priority Tax Claim in accordance with §507(a)(8) as specified in § 1129(a)(9)(C) of the Bankruptcy Code. Any Holder of an Allowed Priority Tax Claim may agree to a different, but not better, treatment of its Claim, in which event the Reorganized Debtor shall pay such Claim in accordance with such agreement.

VII. CLASSIFICATION OF CLAIMS

A. General Overview

As required by §§ 1122 and 1123 of the Bankruptcy Code, the Plan places Claims into various Classes according to their right to priority and other relative rights. A chart reflecting the treatment of the Classified Claims and the Plan payments during the term of the Plan are set forth in detail in **Exhibit 5**. A chart of all Claimants listed in alphabetical order, the amount of the Claims, and whether a Proof of Claim was filed, a preliminary reconciliation by the Debtor, and the designation of which Class the Debtor treats that Claimant is attached as **Exhibit 6.**[5]

A Claim is in a particular Class for purposes of voting on, and of receiving Distributions pursuant to the Plan only to the extent such Claim has not been paid, released or otherwise settled prior to the Effective Date. The table below identifies each Class of Claims under the Plan and whether such Class is Impaired or Unimpaired.

B. Designation of Classes

The Plan provides for the establishment of the following Classes of Claims as provided in § 502 of the Bankruptcy Code:

Class	Designation	Impairment	Entitled to Vote
1	Allowed Secured Claim of Howard Bank	Impaired	Yes
2	Allowed Claims Secured by Units		
	Class 2A—Allowed Claim Secured by Unit 907	Impaired	Yes
	Class 2B—Allowed Claim Secured by Unit 1310	Impaired	Yes
3	Allowed Claims for Cure of Assumed Contracts and Unexpired Leases	Impaired	Yes
4	Allowed Convenience Claims	Impaired	Yes

[5] Although the Debtor has identified each Claim in Exhibit 6, the Debtor reserves the right to file an objection to any Claim.

Class	Designation	Impairment	Entitled to Vote
5	Allowed PH4C Judgment Claims	n/a	n/a
	Class 5A—PH4C First Judgment	Impaired	Yes
	[Intentionally Omitted]		
	Class 5B—PH4C Second Judgment	Impaired	Yes
	Class 5C—PH4C Third Judgment		
6	Allowed General Unsecured Claims	Impaired	Yes
7	Allowed Harborview Marina & Yacht Club Community Association Claim	Impaired	Yes
8	Allowed Unit Owner's Claims		
	Class 8A—Allowed Claims for Property Repairs	Impaired	Yes
	Class 8B—Allowed Unsecured Claims for Alleged Common Element and By-law Failures	Impaired	Yes
9	Allowed First Judgment Claims for Specific Performance	Impaired	Yes
10	Allowed Interested	Impaired[6]	Yes

VIII. TREATMENT OF CLASSIFIED CLAIMS

Allowed Claims shall be treated under the Plan in the manner set forth in Article 5 of the Plan. Unless otherwise specified, all Distributions made pursuant to that Article shall be in Cash. Notwithstanding anything to the contrary contained herein, in no event shall the aggregate amount of Distributions with respect to any classified Claim exceed the Allowed Amount of such Claim. The treatment of, and the consideration to be received by, Holders of Allowed Claims hereunder shall be in full and final satisfaction, settlement, release, extinguishment and discharge of their respective Allowed Claims (of any nature whatsoever), including any Liens securing such Allowed Claims. Any Holder of an Allowed Claim under Article 5 of the Plan may agree to a different, but not better, treatment of its Claim, in which event the Reorganized Debtor shall pay such Claim in accordance with such agreement.

Class 1: The Allowed Secured Claim of Howard Bank.

A. Description: Class 1 consists of the Secured Claim of Howard Bank as of the Petition Date, plus any Allowed post-petition attorneys' fees, interest, fees and charges, plus any of the Howard Bank Post-Confirmation Advance. It is contemplated that after Confirmation the balance owed to Howard Bank on its secured claim will be Allowed in the amount of Eight Million and No/100 Dollars ($8,000,000.00).

B. Treatment: In full and complete satisfaction, discharge and release of the Allowed Class 1 Secured Claim of Howard Bank, the Howard Bank Promissory Note shall be amended and restated to reflect the payment schedule attached as **Exhibit 7**. Exhibit 7 reflects that Howard Bank will receive interest only payments at a lower negotiated interest rate of 4.5%. In Year 1 of the Plan, Howard Bank will also receive a principal curtailment of $200,000.00 in months 7-12 paid in equal amounts. In Year 2 of the Plan, Howard Bank will receive interest only payments plus a principal curtailment of $380,000.00 in equal installments in months 13-24. In Years 3 through 10, the remaining balance owed to Howard Bank will be fully amortized and paid in full as shown in Exhibit 7.

[6] The status of impairment is subject to objection and a final ruling by the Bankruptcy Court at the Confirmation Hearing.

C. The Debtor reserves the right to make additional principal curtailments as and when it determines funds are available. Such monthly payments will commence on the first day of the first full month following the Effective Date and continue consecutively, and payable on the first of each month until the earlier of (i) the last day of the tenth (10th) full year following the Effective Date, or (ii) the Class 1 Claim is Paid in Full. Notwithstanding the foregoing, and unless the Reorganized Debtor and the Holder of an Allowed Class 1 Claim agree otherwise, prior to the commencement of the eleventh (11th) year after the Effective Date, the Allowed Class 1 Claim shall be Paid in Full. The Howard Bank Loan Documents shall remain in full force and effect except as modified herein. Howard Bank and the Debtor may further modify the terms of the Howard Bank Loan Documents in accordance with the terms herein and without the necessity of further notice or approval of the Court, and any such amendments shall be included in the defined term of "Howard Bank Loan Documents" as set forth herein. The Holder of the Class 1 Claim shall retain its perfected first priority security interest in the Debtor's Collateral, including but not limited to all current future assessments and funds on deposit in the Reserve Accounts.

D. Impairment: Class 1 is Impaired and therefore the Holder of a Class 1 Claim is entitled to vote to accept or reject the Plan.

Class 2: Allowed Claims Secured by Units 907 and 1310

Description: Class 2 is divided into two categories: the Class 2A Claim and the Class 2B Claim (each as hereinafter defined, and collectively referred to as "Allowed Claims Secured by Units 907 and 1310" or "Class 2").

Class 2A – Allowed Claims Secured by Unit 907.

A. Description: Class 2A consists of the Allowed Secured Claims secured by Unit 907, which Unit is owned by Debtor in fee simple, subject to the various Liens incurred by the prior owner of the Unit. Those Lien Holder is: The Bank of New York Mellon fka The Bank of New York, as Trustee for the Certificate holder of CWALT, Inc., Alternative Loan Trust 2005-58, Mortgage Pass-Through Certificates Series 2005-58 ("CWALT"). The mailing address is 101 Barclay Street – 4W, New York, NY 10286.

B. Treatment: In full and complete satisfaction, discharge and release of the Class 2A Claim, the Debtor will pay the fair market value for Unit 907, valued as of the Petition Date by the Bankruptcy Court at Confirmation (the "Fair Market Value of Unit 907"), as an Allowed Class 2A Secured Claim. Commencing on the Effective Date, the Allowed Class 2A Secured Claim shall receive payments of interest only, at a 3.5% rate of interest on an amount equal to the Fair Market Value of Unit 907, until the earlier of a sale of Unit 907 or the tenth (10th) anniversary of the Effective Date. Any sale will be in furtherance of this Plan. Upon the sooner to occur of a sale of Unit 907 or upon the tenth (10th) anniversary of the Effective Date, the Debtor shall pay the remaining balance owed on the Fair Market Value of Unit 907 in full discharge of the Allowed Class 2A Secured Claim. The Allowed Class 2A Secured Claim will retain its perfected priority security interest in Unit 907 until it is satisfied in accordance with this Plan. Any Creditor, Lien Creditor or judgment Creditor who asserts a claim against Unit 907 but who does not have an Allowed Class 2A Secured Claim, shall not receive any Distribution under this Plan unless that Creditor, Lien Creditor or judgment Creditor has recourse against the Debtor. Any Creditor, Lien Creditor or judgment Creditor under Class 2A with recourse against the Debtor, but whose claim is not an Allowed Class 2A Secured Claim, will have its Allowed Unsecured Claim treated under Class 6. Any Creditor, Lien Creditor or judgment Creditor under Class 2A, whose Claim is not an Allowed Class 2A Secured Claim, and does not have recourse against the Debtor shall be discharged, extinguished and receive no Distribution under the Plan.

C. Impairment: Class 2A is Impaired and therefore Holders of an Allowed Class 2A Claim are entitled to vote to accept or reject the Plan.

Class 2B – Allowed Claims Secured by Unit 1310.

A. Description: Class 2B consists of the Allowed Secured Claims secured by Unit 1310, which Unit is owned by Debtor in fee simple, subject to the various Liens incurred by the prior owner of the Unit. Those Lien Holder is: The Bank of New York Mellon fka The Bank of New York, as Trustee for the Holders of Structured Asset Mortgage Investments II Trust 2006-AR8, Mortgage Pass-Through Certificates Series 2006-AR8 ("Mellon") with an address of C/O BAC, M/C:CA6-914-01-43, 1800 Tapo Canyon Road, Simi Valley, CA 93063.

B. Treatment: In full and complete satisfaction, discharge and release of the Class 2B Claim, the Debtor will pay the fair market value for Unit 1310, valued as of the Petition Date by the Bankruptcy Court at Confirmation (the "Fair Market Value of Unit 1310"), as an Allowed Class 2B Secured Claim. Commencing on the Effective Date, the Allowed Class 2B Secured Claim shall receive payments of interest only, at a 3.5% rate of interest on an amount equal to the Fair Market Value of Unit 1310, until the earlier of a sale of Unit 1310 or the tenth (10th) anniversary of the Effective Date. Any sale will be in furtherance of this Plan. Upon the sooner to occur of a sale of Unit 1310 or upon the tenth (10th) anniversary of the Effective Date, the Debtor shall pay the remaining balance owed on the Fair Market Value of Unit 1310 in full discharge of the Allowed Class 2B Secured Claim. The Allowed Class 2B Secured Claim will retain its perfected priority security interest in Unit 1310 until it is satisfied in accordance with this Plan. Any Creditor, Lien Creditor or judgment Creditor who asserts a claim against Unit 1310 but who does not have an Allowed Class 2B Secured Claim, shall not receive any Distribution under this Plan unless that Creditor, Lien Creditor or judgment Creditor has recourse against the Debtor. Any Creditor, Lien Creditor or judgment Creditor under Class 2B with recourse against the Debtor, but whose claim is not an Allowed Class 2B Secured Claim, will have its Allowed Unsecured Claim treated under Class 6. Any Creditor, Lien Creditor or judgment Creditor under Class 2B whose claim is not an Allowed Class 2B Secured Claim and does not have recourse against the Debtor shall be discharged, extinguished and receive no Distribution under the Plan.

C. Impairment: Class 2B is Impaired and therefore Holders of an Allowed Class 2B Claim are entitled to vote to accept or reject the Plan.

Class 3: Allowed Claims for Cure of Assumed Contracts and Unexpired Leases.

A. Description: Class 3 consists of Allowed Claims for the cure of certain Allowed Assumed Contracts and Unexpired Leases that relate to essential contracts necessary for the Reorganized Debtor's operations. A list of those contracts is attached as **Exhibit 8**.

B. Treatment: In full and complete satisfaction, discharge and release of the Class 3 Claims in the estimated amount of $643,084.38, the Debtor shall pay each Holder one-hundred percent (100%) of its Allowed Claim, without interest, in three (3) consecutive monthly installment payments commencing thirty (30) days after the Effective Date.

C. Impairment: Class 3 is Impaired and therefore Holders of an Allowed Class 3 Claim are entitled to vote to accept or reject the Plan.

Class 4: Allowed Unsecured Convenience Claims.

A. Description: Class 4 consists of the Allowed Convenience Claims consisting of those Allowed Unsecured Claims aggregating in amount equal to or less than $25,000.00. A list of the Convenience Claims is attached as **Exhibit 9.** Holders of Allowed Unsecured Claims in excess of $25,000, that would otherwise be an Allowed General Unsecured Claim in Class 6, may elect treatment under this Class 4 by making such an election pursuant to Section 5.4.(C) of the Plan.

B. Treatment: In full and complete satisfaction, discharge and release of the Class 4 Allowed Claims in the estimated amount of $218,420.74, the Debtor shall pay each Holder one-hundred percent (100%) of its Allowed Claim, without interest, within 90 days of the Effective Date.

C. Convenience Claim Election: Each Holder of an Unsecured Claim Allowed in an amount greater than $25,000.00, which would otherwise be an Allowed General Unsecured Claim in Class 6, may voluntarily reduce such Claim to $25,000.00, or less, and be treated as a Holder of an Allowed Convenience Claim for purposes of the Plan. Such election must be made on the Ballot and be received by the Debtor on or prior to the Voting Deadline. Any election after the Voting Deadline shall not be binding upon the Debtor unless the Voting Deadline is expressly waived, in writing, by the Debtor, provided, however, that, under no circumstance may such waiver by the Debtor occur on or after the Effective Date.

D. Impairment: Class 4 is Impaired and therefore Holders of an Allowed Class 4 Claim are entitled to vote to accept or reject the Plan.

Class 5: Allowed PH4C Judgment Claims.

Description: Class 5 is divided into three categories: the Class 5A Claim (intentionally omitted), the Class 5B Claim, and the Class 5C Claim (each as hereinafter defined, and collectively referred to as "Allowed PH4C Judgment Claims" or "Class 5").

Class 5A Allowed PH4C First Judgment.

[INTENTIONALLY OMITTED]

Class 5B Allowed PH4C Second Judgment ($609,030.02).

A. Description: Class 5B consists of the Allowed Claim of PH4C arising from the money judgment entered by the Circuit Court for Baltimore City ("Circuit Court") on December 30, 2015, in the amount of $609,030.02 ("Second Judgment"). A Supersedeas Bond (the "Bond") in the amount of $280,134.00 was placed in favor of PH4C from Great American Insurance Company. Pursuant to the Consent Order Authorizing the Debtor's Final Use of Cash Collateral Through August 31, 2016 [Dkt. No. 79], the Debtor stipulated and agreed that PH4C may enforce the Bond and reduce the principal amount of the Allowed Class 5B Claim by this amount. The Second Judgment reduced by the Bond constitutes the "Class 5B" Claim.

B. Treatment of the Allowed Class 5B Claim: In full and complete satisfaction, discharge and release of the Class 5B Allowed Claim, the Debtor shall pay the Holder of a Class 5B Claim one-hundred percent (100%) of its Allowed Claim, without interest, in twenty-eight (28) consecutive quarterly installment payments commencing on the first-day of the eleventh (11th) year after the Effective Date until Paid in Full *pari passu* with Class 5C and Class 6. Notwithstanding the foregoing, the Holder of the Allowed Class 5B Claim shall not

receive any Cash payment until Allowed Class 1, Class 2, Class 3, Class 4 Claims are Paid in Full and the specific performance obligations identified in Class 9 are satisfied.

C. Impairment: Class 5B is Impaired and therefore the Holder of an Allowed Class 5B Claim is entitled to vote to accept or reject the Plan. As to Class 5B, any judgment Lien arising from the Class 5B Claim will be extinguished upon confirmation or other order of the Bankruptcy Court.

Class 5C – PH4C Third Judgment ($1,594,762.00)

A. Description: Class 5C consists of any Allowed Claim resulting from the Circuit Court order and final judgment affirming an arbitration panel award of $1,594,762.00 (the "Third Judgment"), entered on February 24, 2016, which is on appeal to the Maryland Court of Special Appeals.

B. Treatment: The Debtor anticipates continuing the appeal to determine the amount of any Allowed Claim. To the extent all or a portion of the Class 5C Claim is deemed Allowed, in full and complete satisfaction, discharge and release of the Class 5C Allowed Claim, the Debtor shall pay the Holder one-hundred percent (100%) of its Allowed Claim, without interest, in twenty-eight (28) consecutive quarterly installment payments commencing on the first-day of the eleventh (11th) year after the Effective Date until Paid in Full *pari passu* with Class 5B and Class 6. Notwithstanding the foregoing, the Holder of the Allowed Class 5C Claim shall not receive any payment until Allowed Class 1, Class 2, Class 3, and Class 4 Claims are Paid in Full and the specific performance obligations identified in Class 9 are satisfied. As to Class 5C, any judgment Lien arising from the Class 5C Claim will be extinguished upon confirmation or other order of the Bankruptcy Court.

C. Impairment: Class 5C is Impaired and therefore the Holder of an Allowed Class 5C Claim is entitled to vote to accept or reject the Plan.

Class 6: Allowed General Unsecured Claims.

A. Description: Class 6 consists of all Allowed Unsecured Claims not included in Classes 3 and 4. A list of the known Creditors with General Unsecured Claims under Class 6 is attached as **Exhibit 10.**

B. Treatment: In full and complete satisfaction, discharge and release of the Class 6 Allowed Claims, in the estimated amount of $188,750.36, the Debtor shall pay each Holder one-hundred percent (100%) of its Allowed Claim, without interest, in twenty-eight (28) consecutive quarterly installment payments commencing on the first-day of the eleventh (11th) year after the Effective Date until Paid in Full *pari passu* with Class 5B and Class 5C. Notwithstanding the foregoing, no Holder of a General Unsecured Claim shall receive any payment until Allowed Class 1, Class 2, Class 3, and Class 4 Claims are Paid in Full, and the specific performance obligations identified in Class 9 are satisfied.

C. Impairment: Class 6 is Impaired and therefore Holders of the Class 6 Claims are entitled to vote to accept or reject the Plan.

Class 7: Harborview Marina & Yacht Club Community Association Claim.

A. Description: Class 7 consists of the Allowed Unsecured Claim of Harborview Marina & Yacht Club Community Association, Inc. ("Association"). On or about November 22, 2014, Pier 2, located adjacent to the Debtor's building that is owned by the Association partially collapsed. The Association alleges that the partial collapse was caused by

stress placed on the pier by C.A. Lindman, a contractor hired by the Debtor to repair the building façade. The Association filed a proof of claim against the Debtor in the approximate amount of $5,598,000.00 for the partial pier collapse and other damage caused to the Association property.

B. Treatment: The Class 7 Claim is Disputed and for various reasons, including insurance coverage and the right of indemnity from C.A. Lindman, the Debtor asserts that it is not responsible for any damages arising from the pier collapse and no Claim by the Association against the Debtor exists. The pier collapse is also the subject of a pending litigation *Harford Ins. Co. v. Harborview Marina & Yacht Club Community Association, Inc.*, Case No. 8:16-cv-00769-PJM (D. Md.) and the result of that litigation may determine what, if any, obligations are owed by the Debtor. The Debtor intends to participate appropriately in such litigation and any dispute resolution process. To the extent the Debtor has any liability arising from this occurrence, it will look to its insurance coverage or any third-party responsible to pay the Allowed Class 7 Claim.

C. Pier-Related Litigation: Upon confirmation of the Plan, all rights, claims and defenses of the parties to any litigation related to the pier owned by Harborview Marina & Yacht Club Community Association, Inc. are fully preserved (including the Debtor, the Reorganized Debtor, C.A. Lindman, Coleman Consulting, LLC, Plano-Coudon, LLC and any of their insurers with respect to such claims) in connection with the pier collapse and may be liquidated and litigated to judgment, or by such other dispute resolution process, as may be determined in the ordinary course and shall not be subject to any stay, provided however, no payment by the Debtor or the Reorganized Debtor on account of any finding of liability shall occur except from third parties or Debtor's policy(ies) of liability insurance as provided for in this Plan as the case may be.

D. Impairment: Class 7 is Impaired and therefore the Holder of the Class 7 Claim is entitled to vote to accept or reject the Plan.

Class 8: Allowed Unit Owners Claims.

Description: Class 8 is divided into two categories: the Class 8A Claim and the Class 8B Claim (each as hereinafter defined, and collectively referred to as "Allowed Unit Owners Claims" or "Class 8").

Class 8A Allowed Unit Owner Claims for Property Repairs.

A. Description: Class 8A consists of Allowed Claims by Unit Owners arising from property repairs necessary as a result of the Debtor's alleged failure to make necessary repairs, maintenance, and remediation to their Units (including any claims of PH4C not otherwise included in Classes 5B, 5C, 9 and 10 or any claims of Clark not otherwise included in Classes 8B, 9 and 10).

B. Treatment: In full and complete satisfaction, discharge and release of the Class 8A Allowed Claims, in the estimated amount of $392,829.00, the Class 8A Claims shall be satisfied by the Debtor in the ordinary course of business.

C. Impairment: Class 8A is Impaired and therefore the Holders of the Class 8A Claims are entitled to vote to accept or reject the Plan.

Class 8B Unit Owner Claims for Common Element and By-law Failures.

A. Description: Class 8B consists of Allowed Unsecured Claims by Unit Owners arising from the Debtor's alleged failure to maintain the common elements of the Condominium and alleged failures to enforce the Debtor's Condominium Documents.

B. Treatment: The Class 8B Claims are Disputed. To the extent Class 8B is Allowed, in full and complete satisfaction, discharge and release of the Class 8B Claims in the estimated amount of $30,931,234.00, the Debtor shall fund with Cash the Repair and Replacement Reserve Fund to adequately maintain the common elements of the Condominium and enforcement its Condominium Documents to address any alleged failures. All claims for damages, including, but not limited to, those for diminution in value, damages (whether actual, compensatory, or punitive), and/or negligence, will be extinguished and any further pursuit of such Claim will be permanently enjoined and prohibited. The sole remedy available to Holders of Allowed Class 8B Claims will be enforcement of the Plan and treatment herein as confirmed by the Bankruptcy Court.

C. Impairment: Class 8B is Impaired and therefore the Holders of the Class 8B Claims are entitled to vote to accept or reject the Plan.

Class 9: Allowed First Judgment Claim for Specific Performance

A. Description: Class 9 consists of the Allowed Claim of all Unit Owners pursuant to the specific performance obligations identified by the November 24, 2011 Arbitration Award (the "Arbitration Award") under the category "remove and replace railings."[7] For purposes of Class 9 and 10, a list of all Unit Owners listed by unit is attached as **Exhibit 11.**

B. Treatment: In full and complete satisfaction, discharge and release of the Class 9 Allowed Claims and the specific performance obligations to remove and replace railings. The Arbitration Award mandated that certain actions be specifically performed for the category of work identified as "remove and replace railings." This is the only requirement that has not been completed. This treatment satisfies the Arbitration Award by allowing all Unit Owners to vote on which satisfaction they prefer. The Plan requires a vote of all Unit Owners on which option shall control the satisfaction of the specific performance obligations of the Arbitration Award.[8] There are two options for the Unit Owners to choose from, Option A and Option B. The treatment for purposes of this class of claimants will be determined based upon the calculation of votes for Option A or Option B as set forth below:

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[7] The November 24, 2011 Arbitration Award included a monetary award of $1,252,487.00 to PH4C. Through insurance proceeds and the implementation of a special assessment to the Unit Owners, the Debtor raised sufficient funds to pay and satisfy the $1,252,487.00 judgment in September 2012. The Debtor reserves the right to enforce PH4C's obligations to repair and maintain its unit in accordance with the Condominium Documents.

[8] For purposes of voting and obtaining the required acceptance pursuant to 11 U.S.C. § 1126(c), which requires that the class of claims that has accepted a plan has been accepted by creditors that hold at least two-thirds (2/3) an amount and more than one-half (1/2) in number of the allowed claims of such class held by creditors, we are taking, for purposes of the number, all Unit Owners. For purposes of the calculation of amount, we are using the same formula identified in the Declaration at Article I(n), page 5, and Exhibit B to the Declaration which lists each unit and the percentage that each number represents in the condominium. This same formulaic calculation is used for purposes of calculating the annual assessments payable by each Unit Owner, is the same calculation that was used for purposes of calculating votes for purposes of passing amendments to the Debtor's Bylaws, was used for the favorable ratification vote for continuing with the chapter 11 bankruptcy case by the Debtor pursuant to this Court's Order Denying Penthouse 4C, LLC's Motion to Dismiss Bankruptcy Case for Lack of Authority to File entered September 15, 2016 [Dkt. 173], and is used for purposes of voting on all matters placed before the Council.

- Option A: With respect to the specific performance requirements and the category identified as remove and replace railings from page 18 of the Inspection Report dated August 18, 2009 by Construction Systems Group, Inc. ("CSG") (the "Inspection Report"), all railings in the building will be removed and replaced at an estimated cost of $1,600,000 regardless of whether or not a professional engineer has determined that those railings in fact should be removed and replaced.

- Option B: Rather than removing and replacing all railings, Option B will have a professional engineer assess the railings that should be removed and replaced. Those that do not need to be removed and replaced will be repaired and maintained or, if no action is required, no action will be taken on those railings as determined in the reasonable judgment of the professional engineer. The estimated cost for Option B is well below one-half (1/2) of the estimated cost for Option A. Meaning, it is estimated that the cost will be below $800,000.

The Ballot accompanying the Plan will reflect each Unit Owner's ability to vote for either Option A or Option B.

C. Impairment: Class 9 is Impaired and therefore the Holders of the Class 9 Claims are entitled to vote to accept or reject the Plan.

Class 10: Interests.

A. Description: Class 10 consists of all Allowed Interests in the Debtor. All Unit Owners have membership in the Reorganized Debtor as set forth in the Condominium Documents of the Debtor. Allowed Interest Holders are the parties who hold ownership interest (i.e. equity interest) in the Debtor.

B. Treatment: Allowed Interest Holders will not receive any Distribution with respect to their Interest held in the Debtor, but will maintain their membership under the existing Condominium Documents commensurate with their percentage of ownership under the Condominium Documents and receive the benefit of the related improvements to the common elements of the Condominium through the Repair and Replacement Reserve Fund.

C. Impairment: Class 10 is Impaired and therefore the Holders of the Class 10 Interest are entitled to vote to accept or reject the Plan.[9]

IX. VOTING PROCEDURES AND REQUIREMENTS

Please refer to information provided with the Ballot in the solicitation package sent to you by the Debtor's counsel for further detailed voting instructions. Only Impaired Classes of Claims, which are expected to receive recovery above zero percent (0%) or where the Class' percentage of recovery is not yet designated, are entitled to vote. Please refer to Article 4 of the Plan and Articles VII and XII.D. for estimated percentages of recovery for each Impaired Class. If the Claim or Claims you hold are not in one of those Classes, you are not entitled to vote, and thus you will not receive a Ballot from the Debtor's counsel. Holders of Claims that

[9] The status of impairment is subject to objection and a final ruling by the Bankruptcy Court at the Confirmation Hearing.

are entitled to vote should read the Ballot provided by the Debtor's counsel and follow the accompanying instructions carefully.

ANY QUESTIONS CONCERNING THE BALLOT OR ANY OTHER CONTENTS OF THE SOLICITATION PACKAGE SHOULD BE DIRECTED TO THE DEBTOR'S COUNSEL AT (443) 569-5972 OR BY EMAIL AT PSWEENEY@YVSLAW.COM AND LSTEVENS@YVSLAW.COM.

A. Vote Required for Acceptance by a Class

As a Holder of an Allowed Claim in a voting Class, your acceptance of the Plan is very important. At least one voting Class must vote to accept the Plan. If any voting Class votes to accept the Plan, the Debtor will attempt to invoke the "cramdown" provisions of the Bankruptcy Code with respect to Holders of any Claims in a Class that votes to reject the Plan.

A Class of Claims entitled to vote to accept or reject the Plan shall be deemed to accept the Plan if the Holders of Claims in such voting Class that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims that vote in such Class vote to accept the Plan.

B. Classes Entitled to Vote

Pursuant to § 1126 of the Bankruptcy Code, each Impaired Class of Claims that will receive a Distribution pursuant to the Plan may vote separately to accept or reject the Plan. Each Holder of an Allowed Claim in such an Impaired Class as of the Voting Record Date shall receive a Ballot and may cast a vote to accept or reject the Plan. The Debtor asserts that there are eight Impaired Classes entitled to vote to accept or reject the Plan and one Class that is Unimparied and deemed to accept the Plan.

C. Classes Not Entitled to Vote

Holders of Claims are not entitled to vote if, as of the Voting Record Date, the Claim (i) has been disallowed, (ii) is the subject of a pending objection, or (iii) was listed on the Debtor's Schedules as unliquidated, contingent or disputed and a Proof of Claim was not filed or was filed for an unliquidated, contingent or Disputed Claim, unless on or before the Voting Record Date the Bankruptcy Court enters a Final Order directing otherwise. However, if a Claim is disallowed in part, the Holder shall be entitled to vote the Allowed portion of the Claim.

D. Voting Procedures

The Debtor's counsel will facilitate the solicitation and voting process, if any. If you have any questions regarding voting procedures, your eligibility to vote, to accept or reject the Plan, to object to the Plan, or if you need additional copies of documents included in the solicitation package, please contact the Debtor's counsel at the below mailing address, phone number, and email address:

Paul Sweeney, Esquire
Lisa Yonka Stevens, Esquire
Yumkas, Vidmar Sweeney & Mulrenin, LLC
10211 Wincopin Circle, Suite 500
Columbia, Maryland 21044
(443) 569-5972
psweeney@yvslaw.com
lstevens@yvslaw.com

BALLOTS CAST BY HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST BE ACTUALLY RECEIVED BY THE DEBTOR'S COUNSEL AT THE ABOVE ADDRESS BY THE VOTING DEADLINE. THE DEBTOR RESERVES THE RIGHT TO DECIDE WHETHER OR NOT TO COUNT BALLOTS RECEIVED BY THE DEBTOR'S COUNSEL AFTER THE VOTING DEADLINE.

If a Ballot is damaged or lost, you may contact the Debtor's counsel to request another Ballot. Any Ballot received by the Debtor's counsel which does not indicate an acceptance or rejection of the Plan will not be counted.

X. OTHER PLAN COMPONENTS

A. Distribution Procedures

Allocation of Distributions. Except as otherwise specifically provided in Section 5.1 and Section 5.2 of the Plan for Class 1 and Class 2 Claims, Distributions to any Holder of an Allowed Claim shall be allocated first to the principal portion of any such Allowed Claim, and, only after the principal portion of any such Allowed Claim is satisfied in full, to any portion of such Allowed Claim comprising interest or other charges (but solely to the extent that such interest or other charges are an allowable portion of such Allowed Claim). For the avoidance of doubt, the foregoing shall not be interpreted to expand on the payment obligations and/or treatment provisions of any Claims in Article 5 of the Plan or to provide for the payment of interest to any Claims except as expressly provided for in Article 5 of the Plan. All payments shall be made in accordance with the priorities established by the Bankruptcy Code.

Delivery of Distributions and Undeliverable Distributions. Distributions to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address as set forth on the Proofs of Claim filed by such Holders or other writing notifying the Reorganized Debtor of a change of address. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the Reorganized Debtor is notified of such Holder's then-current address, at which time all missed Distributions shall be made to such Holder, without interest from the date of the first attempted Distribution. All Claims for undeliverable Distributions shall be made on or before sixty (60) days after the date such undeliverable Distribution was initially made. After such date, all unclaimed property shall, in the discretion of the Reorganized Debtor, be used to satisfy the costs of administering and fully consummating the Plan, to the extent such costs would otherwise be paid from available Cash, or become available Cash for Distribution in accordance with the Plan, and the Holder of any such Claim shall not be entitled to such undeliverable Distribution or any other or further Distribution under the Plan on account of such Claim.

Time Bar for Check Payments. Checks issued by the Reorganized Debtor for Allowed Claims shall be null and void if not finally negotiated or otherwise presented for payment within sixty (60) days after the date of issuance thereof. The Holder of the Allowed Claim to whom a check originally was issued shall make any request for reissuance of a check so

voided to the Reorganized Debtor. Any such request for reissuance shall be made on or before thirty (30) days after the expiration of the sixty (60) day period following the date of issuance of such original check. The Debtor shall have thirty (30) days to reissue such check, after which the Holder shall have twenty (20) days to present the same for final payment. The Debtor expressly reserves the right, at any time after the original check is declared null and void, to combine such original check with any subsequent payment then due to the same Holder into a single check. After such one hundred fortieth (140) date following original issuance of such check, all funds held on account of both such voided checks shall, in the discretion of the Reorganized Debtor, be used to satisfy the costs of administering and fully consummating the Plan, to the extent such costs would otherwise be paid from available Cash, or become available Cash for distribution in accordance with the Plan, and the Holder of any such Claims shall not be entitled to such voided check or any other or further Distribution under the Plan on account of such Claim.

Setoffs. The Reorganized Debtor may, in accordance with § 553 of the Bankruptcy Code and applicable non-bankruptcy law, setoff against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Claim (before any Distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Reorganized Debtor may hold, whether currently existing or hereinafter arising, against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Reorganized Debtor of any such claims, rights and causes of action that the Reorganized Debtor may possess against such Holder. The Reorganized Debtor shall have the exclusive right and authority to settle Claims and recognize setoff rights.

B. Treatment of Disputed Claims

No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, no payments shall be distributed to a Holder of a Claim under the Plan on account of any Disputed Claim unless and until such Claim becomes an Allowed Claim.

Resolution of Disputed Claims. Notwithstanding any other provision of the Plan to the contrary, after the Effective Date, unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Reorganized Debtor shall have the exclusive right (except as to applications for allowances of compensation and reimbursement of expenses under §§ 330 and 503 of the Bankruptcy Code, and except as to any objections which have been filed prior to the Confirmation Date by any party) to make and file objections to Claims and shall serve a copy of each objection upon the Holder of the Claim to which the objection is made as soon as practicable, but in no event later than ninety (90) days after the Effective Date. From and after the Effective Date, all objections shall be litigated to a Final Order except to the extent the Reorganized Debtor elects to withdraw any such objection or the Reorganized Debtor and the Holder elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim for an amount of Twenty-Five Thousand Dollars ($25,000.00) or more subject to approval of the Bankruptcy Court and for amounts of Twenty-Four Thousand Nine Hundred Ninety-Nine and 99/100 Dollars ($24,999.99) or less without approval of the Bankruptcy Court.

Estimation. The Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to § 502(c) of the Bankruptcy Code regardless of whether the Reorganized Debtor has previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, the estimated amount may constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court.

If the estimated amount constitutes a maximum limitation on such Claim, the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claim objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved subject to approval by the Bankruptcy Court as provided in the Plan.

Reserve Accounts for Disputed Claims. The Reorganized Debtor shall hold in the Disputed Claims Reserve, funds in an aggregate amount sufficient to pay to each Holder of a Disputed Claim, but not for any sum claimed by the Holder of a Class 7 or Class 8 Claim, the amount that such Holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date. The Reorganized Debtor will not hold in any account, nor will Debtor reserve any funds for payment of Class 7 or Class 8B Claims. Funds withheld and reserved for payments to Holders of Disputed Claims, other than Class 7 or Class 8B Claims, shall be held and deposited by the Reorganized Debtor in one or more segregated interest-bearing reserve accounts (each a "Dispute Claims Reserve"), as determined by the Reorganized Debtor, to be used to satisfy such Claims if and when such Disputed Claims become Allowed Claims.

Investment of Disputed Claims Reserve. The Reorganized Debtor shall be permitted, from time to time, in its sole discretion, to invest all or a portion of the funds in the Disputed Claims Reserve in interest-bearing savings accounts, United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by § 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such funds without inordinate credit risk or interest rate risk. All interest earned on such funds shall be held in the Disputed Claims Reserve and, after satisfaction of any expenses incurred in connection with the maintenance of the Disputed Claims Reserve, including taxes payable on such interest income, if any, shall be transferred out of the Disputed Claims Reserve and, in the discretion of the Reorganized Debtor, be used to satisfy the costs of administering and fully consummating the Plan or become available Cash for distribution in accordance with the Plan.

Release of Funds from Disputed Claims Reserve. If at any time or from time to time after the Effective Date, there shall be funds in the Disputed Claims Reserve in an amount in excess of the Reorganized Debtor's maximum remaining payment obligations to the Holders of then-existing Disputed Claims under the Plan, such excess funds shall become available to the Reorganized Debtor generally and shall, in the discretion of the Reorganized Debtor be used to satisfy the costs of administering and fully consummating the Plan or become available Cash for distribution in accordance with the Plan.

Instruments.

(1) Rights of Persons Holding Instruments. Except as otherwise provided herein, as of the Effective Date, and whether or not surrendered by the holder thereof, all instruments evidencing or relating to any Claim, other than for an Allowed Class 1 or Allowed Class 2 Claim, shall be deemed automatically cancelled and deemed void and of no further force or effect, without any further action on the part of any Person, and any Claims evidenced by or relating to such instruments shall be deemed discharged.

(2) Cancellation of Liens. Except as otherwise provided herein, as of the Effective Date, any Lien securing an Allowed Secured Claim, other than as treated and Allowed in Class 1 or Class 2, shall be deemed released and discharged, and the Holder of each such Allowed Secured Claim, other than as treated as an Allowed in Class 1 or Class 2 Claim, shall be authorized and directed to release any Collateral or other property of the Debtor

(including, without limitation, any cash collateral) held by such Holder and to take such actions as may be reasonably requested by the Reorganized Debtor to evidence release of such Lien, including without limitation, by the execution, delivery, and filing or recording of such releases as may be requested by the Reorganized Debtor.

C. Executory Contracts and Unexpired Leases

Assumption Certain Executory Contracts. As reflected in Section 5.3 of the Plan, effective as of, and conditioned on, the occurrence of the Effective Date, the Debtor intends to assume certain Executory Contracts and Unexpired Leases of the Debtor. A list of those contracts will be identified by the Debtor and will be filed with the Bankruptcy Court prior to any hearing on Confirmation of the Plan.

Approval of Assumption of Executory Contracts. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval pursuant to § 365 of the Bankruptcy Code, of the assumption of each contract assumed pursuant to § 8.1 of the Plan.

Assumption Procedures: Any monetary defaults existing under each Executory Contract or Unexpired Lease to be assumed under the Plan will be cured pursuant to the Claim treatment of Class 3 as set forth in Section 5.3 of the Plan.

Insurance Policies. All of the Debtor's insurance policies and any agreements, documents, or instruments relating thereto are treated as executory contracts that will be assumed under the Plan.

Rejection of Certain Executory Contracts. The Debtor does not currently contemplate the rejection of any Executory Contracts. Notwithstanding the foregoing, the Debtor reserves the right, in its sole discretion, to reject any Executory Contracts or Unexpired Leases.

Indemnification Rights. All Claims for Indemnification Rights against the Debtor not specifically assumed by the Debtor, in the Debtor's sole discretion, will be deemed rejected as of the Effective Date unless such Claims are otherwise Allowed Claims or arise after the Confirmation Date in accordance with the Condominium Documents.

D. Effect of Confirmation

Discharge of Claims. Except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall operate as a discharge, pursuant to § 1141(d) of the Bankruptcy Code, to the fullest extent permitted by applicable law, as of the Confirmation Date, of the Debtor, the Reorganized Debtor, and the Estate, and any of their respective successors and assigns, and the assets and Property of any of them, from any and all Debts, Liabilities or Claims of any nature whatsoever against the Debtor that arose at any time prior to the Effective Date, including any and all Claims for principal and interest, whether accrued before, on or after the Petition Date. Except as otherwise expressly provided herein or in the Confirmation Order, but without limiting the generality of the foregoing, on the Effective Date under its Condominium Documents, the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them, shall be discharged, to the fullest extent permitted by applicable law, from any Claim or Debt that arose prior to the Effective Date and from any and all Debts of the kind specified in §§ 502(g), 502(h), or 502(i) of the Bankruptcy Code, whether or not (a) a Proof of Claim based on such Debt was filed pursuant to § 501 of the Bankruptcy Code, (b) a Claim based on such Debt is an Allowed Claim pursuant to § 502 of the Bankruptcy Code, or (c) the Holder of a Claim based on such Debt has voted to accept the Plan. Except for the rights provided for under the confirmed Plan,

as of the Effective Date, all Persons, including all Holders of Claims and Interests, shall be forever precluded and permanently enjoined from asserting directly or indirectly against any of the Debtor, the Reorganized Debtor, and the Estate, and any of their respective successors and assigns, and the assets and Property of any of them, any other or further Claims, rights of arbitration, Debts, rights, causes of action, remedies, Liabilities or interests based upon any act, omission, document, instrument, transaction, event, or other activity of any kind or nature that occurred prior to the Effective Date or that occurs in connection with implementation of the Plan, and the Confirmation Order shall contain appropriate injunctive language to that effect. In accordance with the foregoing, except as otherwise expressly provided in the Plan or in the Confirmation Order, the Confirmation Order shall be a judicial determination of the discharge or termination of all such Claims and other Debts, rights of arbitration, and Liabilities against the Debtor, pursuant to §§ 524 and 1141 of the Bankruptcy Code, to the fullest extent permitted by applicable law, and such discharge shall void any judgment or arbitration award obtained against the Debtor, at any time, to the extent that such judgment relates to a discharged or terminated Claim, Liability, Debt, arbitration award or Interest. Notwithstanding the foregoing, the Reorganized Debtor shall remain obligated to make payments and Distributions to Holders of Allowed Claims as required pursuant to the Plan and govern its post-performance affairs in accordance with the Condominium Documents (as amended).

Release and Exculpations relating to the Chapter 11 Case. Neither the Reorganized Debtor any Affiliate or any of their respective directors, officers, employees, members, attorneys, attorneys of the members, consultants, advisors and agents (acting in such capacity) (collectively, the "Exculpated Parties") shall have or incur any liability to any Person or Entity for any act taken or omitted to be taken in connection with or arising out of the commencement of the Chapter 11 Case, the formulation, preparation, dissemination, implementation, confirmation or approval of the Plan, any other plan of reorganization or any compromises or settlements contained herein, any disclosure statement related thereto or any contract, instrument, release or other agreement or document provided for or contemplated in connection with the transactions set forth in the Plan or in connection with any other proposed plan; provided, however, that the foregoing provisions shall not affect the liability that otherwise would result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct. Each of the foregoing parties in all respects shall have been and shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities during the Chapter 11 Case and under the Plan. The rights granted under this paragraph are cumulative with (and not restrictive of) any and all rights, remedies, and benefits that the Exculpated Parties have or obtain pursuant to any provision of the Bankruptcy Code or other applicable law. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation.

Release of Board of Directors. As of the Confirmation Date, each of the Board of Directors of the Debtor, solely in their capacity as such, shall be released from personal liability for any and all Claims related to their service to the Debtor.

General Injunction. Pursuant to §§ 105, 524, 1123, 1129 and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated by and provided for herein, as of the Confirmation Date, except as otherwise expressly provided herein or in the Confirmation Order, all Persons that have held, currently hold or may hold a Claim, Debt, Lien, judgment, arbitration award or Liability that is discharged or terminated pursuant to the terms of the Plan are and shall be permanently enjoined and forever barred from taking any of the following actions on account of any such discharged or terminated Claims, Debts, Liens, judgments, arbitration award or Liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan Documents:

i. commencing or continuing in any manner, directly or indirectly, any action or other proceeding (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them;

ii. enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, arbitration award or order against the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them;

iii. creating, perfecting or enforcing any Lien or encumbrance against the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them;

iv. asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them;

v. commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order; or

vi. interfering with or in any manner whatsoever disturbing the rights and remedies the Debtor, the Reorganized Debtor, the Estate, and any of their respective successors and assigns, and the assets and Property of any of them, under the Plan and the Plan Documents and the other documents executed in connection therewith.

The Debtor and the Reorganized Debtor shall have the right to independently seek enforcement of this general injunction provision. This general injunction provision is an integral part of the Plan and is essential to its implementation.

Injunction against Certain Actions against Protected Parties. As of the Confirmation Date, all Holders of Claims and Interests are permanently enjoined from asserting against any of the Protected Parties any Claim for which the Protected Parties are alleged to be directly or indirectly liable for the conduct of, claims against, or demands on any of the Debtors, except for Claims that are based on willful misconduct or gross negligence.

Term of Certain Injunctions and Automatic Stay.

All injunctions or automatic stays for the benefit of the Debtor pursuant to §§ 105, 362 or other applicable provisions of the Bankruptcy Code, or otherwise provided for in the Bankruptcy Case or Order of the Bankruptcy Court, and in existence on the Confirmation Date, shall remain in full force and effect following the Confirmation Date, unless otherwise ordered by the Bankruptcy Court.

With respect to lawsuits, if any, pending in courts in any jurisdiction (other than the Bankruptcy Court) that seek to establish the Debtor's liability on Prepetition Claims asserted therein and that are stayed pursuant to § 362 of the Bankruptcy Code, such lawsuits shall be deemed dismissed as of the Effective Date, unless the Reorganized Debtor affirmatively elects to have such liability established by such other courts, and any pending motions seeking relief from the automatic stay for purposes of continuing any such lawsuits in such other courts shall be deemed denied as of the Effective Date, and the automatic stay shall continue in effect, unless the Reorganized Debtor affirmatively elects to have the automatic stay lifted and to have such liability established by such other courts; and the Prepetition Claims at

issue in such lawsuits, if any, shall be determined and either Allowed or disallowed in whole or part by the Bankruptcy Court pursuant to the applicable provisions of the Plan, unless otherwise elected by the Reorganized Debtor as provided herein.

Liability for Tax Claims. Unless a taxing Governmental Unit has asserted a Claim against the Debtor before the Bar Date established therefore, no Claim of such Governmental Unit shall be Allowed against the Debtor, the Reorganized Debtor or their respective members, managers or other officers, employees or agents for taxes, penalties, interest, additions to tax or other charges arising out of (i) the failure, if any, of the Debtor, any of its Affiliates, or any other Person or Entity to have paid tax or to have filed any tax return (including any income tax return or franchise tax return) in or for any prior year or period, or (ii) an audit of any return for a period before the Petition Date.

E. Exemption from Certain Transfer Taxes

Pursuant to § 1146(a) of the Bankruptcy Code: (i) the issuance, distribution, transfer or exchange of interests or other Property; (ii) the creation, modification, consolidation or recording of any deed of trust or other security interest, the securing of additional indebtedness by such means or by other means in furtherance of or in connection with the Plan, the Confirmation Order, and any related documents; (iii) the making, assignment, modification or recording of any lease or sublease; (iv) the sale or transfer of assets shall be deemed exempt from all taxes arising from such sale or transfer which would otherwise be imposed at the time of transfer or sale, which are determined by consideration for or value of the Property being transferred, or as a percentage thereof, including taxes imposed by the State of Maryland or other applicable law, or (v) the making, delivery or recording of a deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, the Confirmation Order, any related documents or any transaction contemplated above or any transactions arising out of, contemplated by or in any way related to the foregoing, including without limitation the Property or sale of Units 907 and 1310 as set forth in the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local government officials or agents shall be, and hereby are, directed to forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

F. Administrative Provisions

1. Retention of Jurisdiction

Unless otherwise provided by a prior Order in the Bankruptcy Case, the Bankruptcy Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Bankruptcy Case and the Plan pursuant to, and for the purposes of §§ 105(a) and 1142 of the Bankruptcy Code and for, among other things the following purposes until such time as the Debtor's and Reorganized Debtor's obligations, respectively, under the Plan are fully discharged:

i. To hear and determine any motions for the assumption or rejection of any executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

ii. To determine any and all pending adversary proceedings, applications and contested matters;

iii. To hear and determine any objection to any Claims;

iv. To liquidate or estimate damages or determine the manner and time for such liquidation or estimation in connection with any contingent or unliquidated Claim;

v. To adjudicate all Claims to any lien on any of the Debtor's assets or any proceeds thereof;

vi. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated, and/or if the Effective Date never occurs;

vii. To issue such orders in aid of execution of the Plan to the extent authorized by § 1142 of the Bankruptcy Code;

viii. To consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

ix. To hear and determine all applications for compensation and reimbursement of expenses of Professionals under §§ 330, 331 and 503(b) of the Bankruptcy Code;

x. To enforce and interpret the Plan and to hear and determine any dispute or any other matter arising out of or related to the Plan;

xi. To recover all assets of the Debtor and Property of the Estate, wherever located;

xii. To hear and determine matters concerning state, local and federal taxes in accordance with §§ 346, 505 and 1146 of the Bankruptcy Code;

xiii. To enforce and interpret the discharge of Claims effected by the Plan and to enter and implement such orders as may be appropriate with regard thereto;

xiv. To hear any other matter consistent with the provisions of the Bankruptcy Code;

xv. To enter a final decree closing the Bankruptcy Case; and

xvi. To hear and determine such other issues as the Bankruptcy Court deems necessary and reasonable to carry out the intent and purposes of the Plan.

2. Professional Fees and Expenses

As of the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity for any approval by the Bankruptcy Court, pay the reasonable fees and expenses of the Professionals employed by the Debtor in connection with the implementation and consummation of the Plan, the claims reconciliation process and any other matters as to which such Professionals may be engaged.

3. Waiver of Certain Fees

Unless otherwise provided in the Plan, all claims for penalties, default interest and/or late fees that may have accrued on Claims are extinguished.

4. U.S. Trustee Fees

The Debtor is, and shall remain, current in paying all fees owed to the U.S. Trustee until the Bankruptcy Case is closed.

5. Payment of Statutory Fees

All fees payable pursuant to Chapter 123 of Title 28, United States Code, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid by the Reorganized Debtor.

6. Modification of the Plan

The Debtor reserves the exclusive right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan and to solicit acceptances of any amendments or modifications hereto, at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Reorganized Debtor may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A Holder of an Allowed Claim that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such Holder.

7. Withdrawal or Revocation of the Plan

The Debtor may amend, withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtor withdraws or revokes the Plan prior to the Confirmation Date or if the Confirmation Date does not occur for any reason, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any other Person in any further proceedings involving the Debtor.

8. Cram Down

The Debtor may utilize the provisions of § 1129(b) of the Bankruptcy Code to satisfy the requirements for confirmation of the Plan over the rejection, if any, of any Class entitled to vote to accept or reject the Plan.

9. Governing Law

Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the United States of America and, when applicable, the State of Maryland, without giving effect to the principles of conflicts of law thereof.

XI. RISKS AND CONSIDERATIONS

A. Risk Factors

Prior to deciding whether and how to vote on the Plan, each Holder of a Claim should consider carefully all of the information in this Disclosure Statement and should particularly consider the risk factors inherent in the Debtor's reorganization. These risk factors relate primarily to the Debtor's reorganization.

B. Bankruptcy Considerations

Although the Debtor believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will confirm the Plan as proposed. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes. Although the Debtor believes that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to such timing.

In the event the conditions precedent described in Section 6 of the Plan have not been satisfied, or waived (to the extent possible) by the Debtor or applicable party (as provided for in the Plan) as of the Effective Date, then the Confirmation Order will be vacated, no Distributions will be made pursuant to the Plan, and the Debtor and all Holders of Claims and Interests will be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred.

XII. PLAN CONFIRMATION AND CONSUMMATION

A. Confirmation Hearing

Bankruptcy Code § 1128(a) requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a Plan. On, or as promptly as practicable after, the filing of the Plan and this Disclosure Statement, the Debtor will request, pursuant to the requirements of the Bankruptcy Code and the Bankruptcy Rules, that the Bankruptcy Court schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known Creditors, Interest Holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Pursuant to Bankruptcy Code § 1128(b), any party-in-interest may object to confirmation of a plan of reorganization. Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the Debtor, the basis for the objection and the specific grounds of the objection, and must be filed with the Bankruptcy Court, with a copy to Chambers, together with proof of service thereof, and served upon (i) the U.S. Trustee's Office; (ii) counsel for Debtor, Paul Sweeney, Esquire, Yumkas, Vidmar, Sweeney & Mulrenin, LLC, 10211 Wincopin Circle, Suite 500, Columbia, Maryland 21044; and (iii) such other parties as the Bankruptcy Court may order.

Bankruptcy Rule 9014 governs objections to confirmation of the Plan.

UNLESS AN OBJECTION TO CONFIRMATION OF THE PLAN IS TIMELY SERVED UPON THE PARTIES LISTED ABOVE AND FILED WITH THE BANKRUPTCY COURT, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT IN DETERMINING CONFIRMATION OF THE PLAN.

B. Plan Confirmation Requirements under the Bankruptcy Code

At the Confirmation Hearing, the Bankruptcy Court will consider the terms of the Plan and determine whether the Plan terms satisfy the requirements set out in § 1129 of the Bankruptcy Code.

C. Plan Consummation

Upon confirmation of the Plan by the Bankruptcy Court, the Plan will be deemed consummated on the Effective Date. Distributions to Holders of Claims receiving a Distribution pursuant to the terms of the Plan will follow consummation of the Plan. Post-confirmation Estate expenses will be paid by the Reorganized Debtor.

D. Best Interests Test and Liquidation Analysis

The Bankruptcy Code requires that, with respect to an Impaired Class of Claims or Interests, each Holder of an Impaired Claim or Interest in such Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the amount (value) such Holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date. Chapter 7 is not desirable as it would result in a termination of the Debtor's operation and the termination of services by the Debtor to the Unit Owners.

The Debtor's costs of a Chapter 7 liquidation would necessarily include fees payable to a trustee in bankruptcy, as well as fees likely to be payable to attorneys, advisors, and other professionals that such a Chapter 7 trustee may engage to carry out its duties under the Bankruptcy Code. Other costs of liquidating the Estate would include the expenses incurred during the Bankruptcy Case and allowed by the Bankruptcy Court in the Chapter 7 case, such as reimbursable compensation for the Debtor's Professionals, including, but not limited to, attorneys, financial advisors, appraisers, and accountants. In addition, Claims would arise by reason of the Debtor's breach or rejection of contractual obligations and unexpired leases and Executory Contracts assumed or entered into by the Debtor during the pendency of the Bankruptcy Case.

The foregoing types of claims, costs, expenses, and fees that may arise in a Chapter 7 liquidation case would be paid in full from the proceeds of the sale of the Debtor's assets before the balance of those sales proceeds would be made available to pay pre-Chapter 11 priority and unsecured claims.

For the Bankruptcy Court to be able to confirm the Plan, the Bankruptcy Court must find that all Holders of a Claim or Interest who do not accept the Plan will receive at least as much under the Plan as such Holders would receive under a Chapter 7 liquidation. The Debtor maintains that this requirement is met here for the following reasons:

1. In a Chapter 7 case, a trustee is appointed and entitled to compensation from the bankruptcy estate in an amount not to exceed 25% on the first $5,000 of all moneys disbursed, 10% on any amount over $5,000 but less than $50,000, 5% on any amount over $50,000 but not in excess of $1 million, and 3% on all amounts over $1 million. In this

case the trustee's compensation and expenses is estimated to be greater than $386,650. However, through the Plan, no trustee's compensation will be incurred.

2. In addition, because the Chapter 7 trustee will replace the Professionals currently employed by the Estate, the Chapter 7 trustee's new professionals will burden the Estate with substantial fees to become familiar with the issues of this case. Although these fees are difficult to estimate, they could result in additional administrative expenses to assist the trustee in pursuit of the litigation claims of the Estate. For the purposes of the liquidation analysis below, the estimate for the Chapter 7 administrative expenses for has been conservatively estimated at $250,000.

3. In a Chapter 7, the full amount of the Allowed Secured Claim of Howard Bank would have to be paid before payment to any other Creditors. In a Chapter 7, it is likely there would not be sufficient funds available for the payment to Howard Bank. As such, there likely would be no funds available for any other Creditors.

Under the Best Interests Test, all that is required is for Holders of a Claim or Interest to receive as much as they would under Chapter 7 of the Bankruptcy Code. Here, the Debtor believes that the Best Interests Test has been met in that under the Plan, Holders of an Allowed Claim or Interest will receive a substantial Distribution over time in contrast to little to no recovery under Chapter 7.

Below is a demonstration, in balance sheet format, that all Holders of a Claim or Interest will received at least as much under the Plan as such Creditor would receive under a Chapter 7 liquidation. The information regarding value of the assets has been provided by the Debtor based on its familiarity with the assets and from consultations with its Professionals.

Assets Valued at Liquidation Values

ASSETS AT LIQUIDATION VALUE	LIQUIDATION VALUE
Cash on Hand	$1,300,000.00[10]
Accounts Receivable (Past due Assessments from homeowners estimated at $70,000, liquidation value represents 30%)	$21,000.00
Collection Judgments (Total judgments entered in favor of the Debtor total $98,130.88 could be sold as assets pursuant to Section 11-109(d)(6) of the Maryland Condominium Act)	$98,130.88
Mechanical Equipment (50% valuation per Bankruptcy Schedules)	$2,292,624.00
Personal Property	$75,000.00

[10] The Liquidation Value of Cash on Hand assumes that no Special Assessment will be necessary. Therefore, the Liquidation Value differs from the beginning cash balance as set forth in Section V.C. above.

ASSETS AT LIQUIDATION VALUE	**LIQUIDATION VALUE**
Condominium Units #907 and #1310 Unit 907: tax value: $239,000. Mortgage value as of October 2014 per foreclosure action was $650,00.00 Unit 1310: tax value: $158,600.00. Original mortgage (2006) $356,800.00	$0.00
Post-Confirmation Causes of Action	Unknown Recovery
Total Assets at Liquidation Value	**$3,786,754.88**
LESS LIABILITIES IN CHAPTER 7 CASE	
Howard Bank's Secured Claim	($7,849,782.00)
Chapter 7 trustee's compensation	($136,650.00)
Chapter 7 professional fees	($250,000.00)
Chapter 11 estimated administrative expenses	($500,000.00)
Priority Claims	($200.00)
Total Liabilities in Chapter 7	**($8,736,632.00)**
Funds Available to Remaining Claims in Chapter 7	**$0.00**
% of their Claims that Unsecured Creditors would receive or retain in a Chapter 7 liquidation	**0%**
% of their Claims that Unsecured Creditors would receive or retain under the Plan	**Up to 100% without interest**

Below is a demonstrative, in tabular format, that all Creditors will receive at least as much under the Plan as such Creditor would receive under a Chapter 7 liquidation.

Claims and Classes	Plan Payout Percentage	Payout Percentage in Chapter 7 Liquidation
Class 1 – Allowed Secured Claim of Howard Bank	100%, with interest	Approximately 40%
Class 2—Allowed Claims Secured by Units Class 2A—Allowed Claim Secured by Unit 907 Class 2B—Allowed Claim Secured by Unit 1310	Fair market value with interest only payments until sale or refinance	0%
Class 3 – Allowed Claims for Cure of Assumed Contracts and Unexpired Leases	100%, without interest	0%
Class 4 – Allowed Convenience Claims	100%, without interest	0%

Claims and Classes	Plan Payout Percentage	Payout Percentage in Chapter 7 Liquidation
Class 5 – Allowed PH4C Judgment Claims Class 5A—PH4C First Judgment **(intentionally omitted)** Class 5B—PH4C Second Judgment Class 5C—PH4C Third Judgment	100%, without interest	0%
Class 6 – Allowed General Unsecured Claims	100%, without interest	0%
Class 7 – Allowed Harborview Marina & Yacht Club Community Association Claim	0% Distribution subject to rights under insurance or third-party	0% Distribution subject to rights under insurance or third-party
Class 8 – Allowed Unit Owner's Claims Class 8A—Allowed Claims for Property Repairs Class8B—Allowed Unsecured Claims for Alleged Common Element and Condominium Documents Failures	Operating Account Reserve/ Replacement Account	0% 0%
Class 9 – Allowed First Judgment Claims for Specific Performance	100%, without interest	0%
Class 10 – Allowed Interests	n/a	n/a

E. Feasibility

Another requirement for confirmation involves the feasibility of the Plan. Pursuant to § 1129(a)(11) of the Bankruptcy Code, a debtor must demonstrate that a bankruptcy court's confirmation of a plan, is not likely to be followed by the liquidation or need for further financial reorganization of the debtor or its successor under the plan, unless such liquidation or reorganization is proposed under the plan.

The sources of the Cash the Debtor will have on hand by the Effective Date are (1) Cash in the Debtor's bank accounts, (2) the additional principal from the Howard Bank Loan, (3) estimated collection of fifty-percent (50%) of the Special Assessment, and (3) additional Annual Assessments (net of operating expenses) will be collected.

The Debtor contends that it will have sufficient Cash over the life of the Plan to make the required payments, and in support of this, has provided **Exhibit 12** to the Disclosure Statement which includes projected financial information for the life of the Plan. THE ATTACHED STATEMENTS ARE NOT AUDITED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT AND ARE PROJECTED FINANCIAL STATEMENTS, ACTUAL RESULTS OF OPERATIONS MAY VARY. SUCH STATEMENTS ARE PROVIDED AS EVIDENCE OF THE DEBTOR'S CAPABILITY OF CONSUMMATING THE PLAN AND ARE PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY. YOU ARE ADVISED TO

CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS.

In summary, as of the Effective Date, the Debtor will have an estimated $1,680,000 as a starting Cash balance. Within the first 90 days of the Effective Date, the Debtor anticipates that it will have Cash receipts, net of its general operating expenses, (from both Annual Assessments and the Special Assessment) totaling approximately $671,000.00. The Debtor's total Cash receipts (including the starting Cash balance) will total approximately $2,351,000.00. During this same period of time, the Cash disbursements to account for the required Plan payments to pay the Allowed Administrative Expenses, Priority Claims, Class 1, 2, 3, 4, and Allowed Class 8A Claims,[11] and an initial contribution to the Repair and Replacement Reserve Fund will total approximately $1,928,000.00. For the remaining nine months of the first year after the Effective Date, the Debtor estimates its Cash receipts, net of its general operating expenses, to be approximately $1,609,000.00. The projected Plan payments for the remainder of year 1 after the Effective Date are estimated to be $713,000.00 for payments to Allowed Class 1, 2, and 3 Claims[12] and a contribution of approximately $798,000.00 to the Repair and Replacement Reserve Fund. The Debtor projects an estimated positive cash balance after the first year of the Plan of approximately $521,000.00. The Repair and Replacement Reserve Fund, including a decrease of anticipated distributions, will be funded at approximately $902,000.00.

In Year 2 of the Plan, the Debtor estimates its Cash receipts from Annual Assessments net of operating expenses to be approximately $1,000,000.00. During Year 2 of the Plan, the Debtor will pay $724,000.00 towards the Allowed Class 1 Claim, will pay $21,000 towards the Class 2 Claim, and will contribute $425,000 to the Repair and Replacement Reserve Fund. The Debtor's projects an estimated positive net cash balance in the amount of approximately $346,000.00 at the end of Year 2 of the Plan. The Repair and Replacement Reserve Fund, including a decrease of anticipated distributions, will be funded at approximately $556,000.00.

In Year 3 of the Plan, the Debtor estimates its Cash receipts from Annual Assessments, net of general operating expenses, to be $1,597,000.00, which takes into consideration increases for inflation. During Year 3 of the Plan, the Debtor will pay $1,106,000.00 towards the Allowed Class 1 Claim, will pay $21,000 towards the Allowed Class 2 Claims, and will contribute $450,000.00 to the Repair and Replacement Reserve Fund. The Debtor's net cash balance will be approximately $370,000.00 at the end of Year 3 of the Plan. Most notably, in Year 3 of the Plan, the Debtor's operating expenses are projected to decrease due to the reduction and/or elimination of bankruptcy litigation and other legal fees. The Repair and Replacement Reserve Fund, including a decrease of anticipated distributions (including one half of the payment for the railings project), will be funded at approximately $216,000.00.

In Years 4 through 10, the Debtor projects the annual Cash receipts, net of operating expenses, from Annual Assessments to be approximately $1,637,000.00 each year, which include operating expenses increased by inflation each year. During these seven years, the Debtor will pay $1,106,00.00[13] annually towards the Allowed Class 1 Claim and contribute approximately $536,000.00 on an annual basis to the Repair and Replacement Reserve Fund. The Debtor anticipates a steadily decreasing operating account balance in order to pay the Allowed Class 1 Claim in full. The Debtor anticipates a positive operating account balance of approximately $184,000 after Year 10 after the Effective Date. The Repair and Replacement Reserve Fund, including a decrease of anticipated distributions (including the remaining one half

[11] The Class 3 Claims will be paid in full in three (3) consecutive monthly installment payments commencing 30 days after the Effective Date.

[12] The Class 4 Claims will be paid in full within 90 days after the Effective Date.

[13] The Class 1 Claim shall be paid in full upon the completion of Year 10.

payment for the railings project), is estimated to have disbursed all funds after the tenth year. In Year 10 of the Plan, not only will the $8,000,000 Allowed Class 1 Claim be Paid in Full, but the Debtor will also have implemented approximately $5,700,000.00 in capital improvements to the Condominium from the Repair and Replacement Reserve Fund.

In Year 11 through the end of the Plan term in Year 17, the Debtor projects the annual Cash receipts, net of operating expenses, from Annual Assessments to be approximately $1,228,000.00 each year except Year 11 which will be approximately $1,534,000.00. The Debtor's projections include operating expenses increased by inflation each year. During these seven years, the Debtor will pay total estimated amounts of $600,000.00 towards Allowed Class 2 Claims, $1,924,000.00 towards Allowed Class 5 Claims, and $189,000.00 towards Allowed Class 6 Claims, and the Debtor will contribute on average $889,000.00 on an annual basis to the Repair and Replacement Reserve Fund. The Debtor anticipates that its Cash balance on hand over these seven years will increase overall to approximately $91,000.00, thereby providing operating reserves as a contingency. In accordance with the Plan, at the end of Year 17 after the Effective Date, the Debtor will have paid all Allowed Claims in full. The Repair and Replacement Reserve Fund, including a decrease of anticipated distributions, will be funded at approximately $4,600,000.00 after Year 17.

The financial projections demonstrate, the Debtor will have sufficient cash flow for the life of the Plan and that the Court's confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtor. The Debtor contends the Plan is feasible.

F. Section 1129(b)

Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may confirm a plan even if a class of impaired claims or interests votes to reject the plan if the plan does not unfairly discriminate and is fair and equitable with respect to each impaired class of claims or interests that has not accepted the plan.

1. No Unfair Discrimination

The "no unfair discrimination" test requires that the plan not provide for unfair treatment with respect to classes of claims or interests that are of equal priority, but are receiving different treatment under the plan.

2. Fair and Equitable

The fair and equitable requirement applies to classes of claims of different priority and status, such as secured versus unsecured. The plan satisfies the fair and equitable requirement if no class of claims receives more than 100% of the allowed amount of the claims in such class. Further, if a class of claims is considered a dissenting class ("Dissenting Class"), *i.e.*, a class of claims that is deemed to reject the plan because the required majorities in amount and number of votes is not received from the class, the following requirements apply:

a. Class of Secured Claims:

Each holder of an impaired secured claim either (i) retains its liens on the subject property, to the extent of the allowed amount of its secured claim and receives deferred cash payments having a value, as of the effective date of the plan, of at least the allowed amount of such claim, (ii) has the right to credit bid the amount of its claim if its property is sold and retains its liens on the proceeds of the sale (or if sold, on the proceeds thereof) or (iii) receives the "indubitable equivalent" of its allowed secured claim.

b. Class of Unsecured Creditors:

Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the Dissenting Class will not receive any property under the plan.

The Debtor believes the Plan will satisfy the "fair and equitable" requirement notwithstanding that certain Classes of Claims are deemed to reject the Plan because no Class that is junior to such Class will receive or retain any property on account of the Claims in such Class.

XIII. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes the Plan is in the best interests of its Creditors and should accordingly be accepted and confirmed. If the Plan as proposed, however, is not confirmed, the following three alternatives may be available to the Debtor: (a) a liquidation of the Debtor's assets pursuant to Chapter 7 of the Bankruptcy Code, (b) a plan of reorganization may be proposed and confirmed, or (c) the Debtor's assets may be sold pursuant to Bankruptcy Code § 363.

If a plan pursuant to Chapter 11 of the Bankruptcy Code is not confirmed by the Bankruptcy Court, the Chapter 11 Case may be converted to a liquidation case under Chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed, pursuant to applicable provisions of Chapter 7 of the Bankruptcy Code, to liquidate the assets of the Debtor for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a Chapter 7 liquidation would have on the recoveries of Holders of Claims is set forth in Section XII.D. hereof. The Debtor believes that such a liquidation would result in smaller Distributions being made to the Debtor's Creditors than those provided for in the Plan because (i) the likelihood that Debtor's primary assets would have to be sold or otherwise disposed of in a less orderly fashion, (ii) additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, and (iii) additional expenses and Claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtor's operations. In a Chapter 7 liquidation, the Debtor believes that there would be little or no Distribution to Holders of Allowed Claims.

XIV. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

Each Holder of a Claim should consult its own tax advisor to determine what effect, if any, the treatment afforded its respective Claim by the Plan may have under federal, state and local tax laws and the laws of any applicable foreign jurisdictions.

No statement in this Disclosure Statement should be construed as legal or tax advice. Neither the Plan proponents nor their Professionals assume any responsibility or liability for the tax consequences the Holder of a Claim may incur as a result of the treatment afforded its Claim under the Plan.

The principal income tax consequence for a Creditor relates to its ability to deduct a portion of its Claim in the event the Creditor does not receive full payment of its Allowed Claim. Section 166 of the Internal Revenue Code of 1986, as amended ("IRC") (relating to the deductibility of bad debts) generally provides that:

(a) a totally worthless business bad debt is deductible only in the tax year in which it becomes worthless;

(b) a partially worthless business bad debt is deductible in an amount not in excess of the part charged off on the taxpayer's within the taxable year; and

(c) in the case of a taxpayer other than a corporation, a nonbusiness bad debt which becomes completely worthless during that taxable year is deductible as a short-term capital loss and is subject to the limitations imposed on the deductibility of such losses.

For purposes of IRC section 166, a "nonbusiness debt" means a debt other than (a) one created or acquired in connection with the taxpayer-creditor's trade or business or (b) the loss from the worthlessness of which was incurred during the operation of the taxpayer-creditor's trade or business.

Pursuant to Treas. Reg. § 1.166-2(c), a bankruptcy filing is generally an indication of the worthlessness of at least a part of an unsecured and unperfected debt. In bankruptcy cases, a debt may become worthless before settlement in some instances, and in others only when a settlement has been reached. In either case, the mere fact that bankruptcy proceedings are terminated in a later year, thereby confirming the conclusion that the debt is worthless, does not authorize the shifting of the deduction under IRC section 166 to such later year. Pursuant to Treas. Reg. § 1.166-1(2)(ii), only the difference between the amount received in distribution of assets of a debtor, and the amount of the claim may be deducted under IRC § 166 as a bad debt.

Generally, a taxpayer is entitled to a bad debt deduction with respect to accounts receivable only if the taxpayer has recognized as income the accounts receivable in the year in which the bad debt deduction is claimed or a prior taxable year. Thus, bad debt deductions for worthless or partially worthless accounts receivable are normally available only to accrual method taxpayers. Likewise, worthless debts arising from unpaid wages, salaries, fees, rents and similar items of taxable income are not allowed as a bad debt deduction unless such items have been reported as income in the year for which the deduction as a bad debt is claimed or for a prior taxable year.

Business bad debts deductible under IRC § 166 generally may be deducted using either the specific charge-off method or, if certain requirements are met, the nonaccrual-experience method. Under the specific charge-off method, specific business bad debts that become either partially or totally worthless during the tax year may be deducted in the manner permitted by IRC § 166.

If a deduction is taken for a bad debt which is recovered in whole or part in a latter tax year, the taxpayer may have to include in gross income the amount recovered, except, under limited circumstances, the amount of the deduction that did not reduce taxes in the year deducted.

XV. RECOMMENDATION AND CONCLUSION

The Debtor believes the Plan is in the best interests of all Creditors and the Estate and urges the Holders of Impaired Claims entitled to vote to accept the Plan and to evidence such acceptance by properly voting and timely returning their Ballots.

COUNCIL OF UNIT OWNERS OF THE
100 HARBORVIEW DRIVE
CONDOMINIUM

Dated: December 21, 2016

By: */s/ Dr. Reuben Mezrich*
Name: Dr. Reuben Mezrich
Title: President

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 21st day of December 2016, notice of filing the Disclosure Statement for Debtor's First Amended Plan of Reorganization under Chapter 11 of the Bankruptcy Code was sent electronically to those parties listed on the docket as being entitled to such electronic notices.

/s/ Paul Sweeney
Paul Sweeney

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